

PAKISTAN JOINS THE NUCLEAR CLUB

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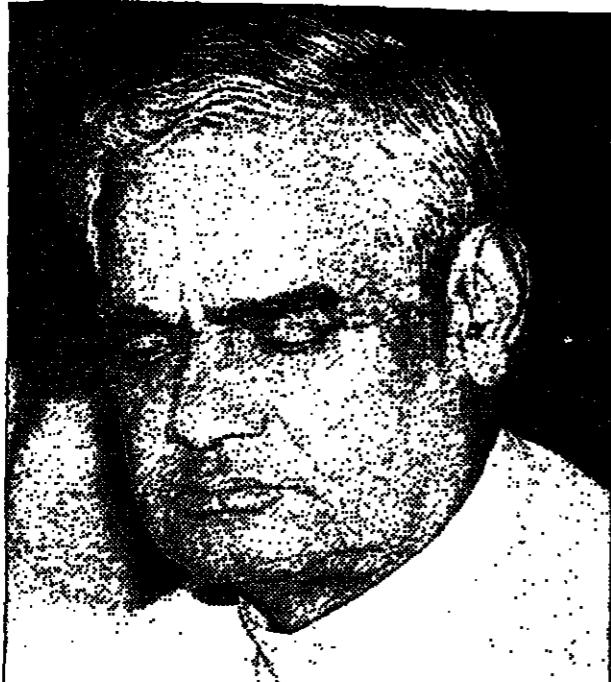
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Paris, Friday, May 29, 1998

No. 35,843

5 Tests Are Conducted to Answer India

Global Protests Include U.S. Sanctions



Prime Minister Atal Bihari Vajpeyi of India, who said Thursday that "a new situation has arisen."

President Jiang Zemin of China reportedly wrote a letter asking Pakistan to refrain from nuclear tests after Bill Clinton called him on a hot line and requested that he do so. Page 4. In India's Parliament, calls for calm and unity are overwhelmed by uproar. Page 6.

By Brian Knowlton
International Herald Tribune

WASHINGTON — In an echo of the sharp U.S. reaction to India's nuclear tests, President Bill Clinton condemned Pakistan on Thursday for conducting its own tests and announced somberly that he had "no choice" but to order economic sanctions.

"I deplore the decision," the president said. "By failing to exercise restraint and responding to the Indian tests, Pakistan lost a truly priceless opportunity to strengthen its own security, to improve its political standing in the eyes of the world."

"Although Pakistan was not the first to test, two wrongs do not make a right," Mr. Clinton said.

Other countries issued their own condemnations, as did NATO. They mirrored the earlier reaction to the Indian tests. Most countries harshly criticized those tests, but only a few, including Japan, ordered sanctions.

Any sanctions against Pakistan by Japan would have a dramatic effect. Japan provided \$434 million in subsidized loans and \$44 million in aid grants to Pakistan in the year ending March 31, 1997. That is more than half the total from all other developed nations.

Japan had suspended new loans and grants to India and temporarily recalled its ambassador.

China, which has had a close military relationship with Pakistan and tenser ties with India, expressed "deep regret" about the latest tests. A Foreign Ministry spokesman, Zhu Bangzao, called on all countries in South Asia "to exercise the utmost restraint and to immediately abandon all nuclear weapons development programs."

Germany said it was canceling economic development talks with Pakistan and would seek to prevent exports of arms and technology components by German companies to Pakistan and India.

France, which earlier this month joined its partners in the Group of Eight industrialized nations in condemning the

See CHAGRIN, Page 6

State of Emergency Then Declared

By John Ward Anderson
and Kamran Khan
Washington Post Service

ISLAMABAD, Pakistan — Pakistan conducted five underground nuclear tests on Thursday, accelerating the arms race in South Asia and delivering a fresh blow to the worldwide campaign to curb weapons of mass destruction.

The tests came after two weeks of intense international pressure on the Pakistanis to show restraint.

Pakistan's first nuclear detonations followed the underground explosion of five nuclear devices by its neighbor and rival, India, on May 11 and 13.

Hours after the Pakistani tests, the country's president declared a state of emergency, citing a "threat by the external aggression to the security of Pakistan," the state-run news agency said. A state of emergency suspends Pakistan's constitution and the legal system. The announcement from President Rafiq Tarar did not identify who the aggressor was.

Pakistan and India, which are among the world's poorest countries, have fought three wars since their creation in 1947, when India won independence from Britain and was partitioned along religious lines.

"Today, we have settled a score and have carried out five successful nuclear tests," Prime Minister Nawaz Sharif of Pakistan said in a broadcast speech to the nation that was short on details.

The tests were apparently conducted in the afternoon at the Chagai Hills test site in western Pakistan, near the border with Iran.

India, with its tests, destroyed the strategic balance and deterrence that had existed between the two countries, Mr. Sharif said in a second, sober address to the Pakistani and international press.

"Our security, and the peace and stability of the entire region, was gravely threatened," he said. "As any self-respecting nation, we had no choice left for us. Our hand was forced by the present Indian leadership's reckless actions."

"We could not ignore the magnitude of the threat."

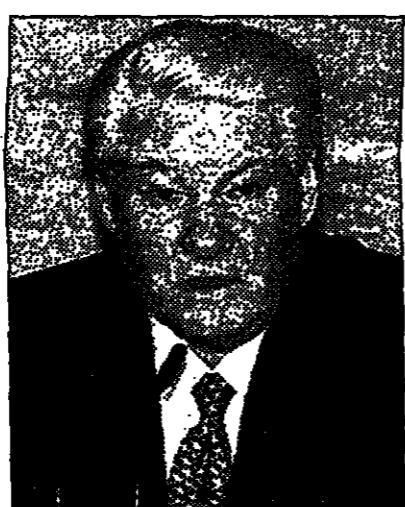


Zebal Hameed/Ramsey
Pakistanis dancing in a Karachi street Thursday to celebrate the nuclear tests carried out by their country.

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Yeltsin Seeks West's Help To Shore Up Ailing Ruble

By Celestine Bohlen
New York Times Service



"Heads will roll," Mr. Yeltsin said.

MOSCOW — As Russian financial markets steadied slightly after this week's record plunge, President Boris Yeltsin said Thursday that he would call on Western leaders to help defend the embattled ruble.

His appeal was echoed by a top finance official, who said Moscow would need a hefty rescue package from the West — more generous than a \$700 million loan already expected from the International Monetary Fund — if it is to stem the panic that has threatened Russia's economic and political stability.

Speaking at a televised meeting of government officials hastily summoned to his country house, Mr. Yeltsin said he would be calling foreign leaders, including President Bill Clinton and Chancellor Helmut Kohl, to ask them to support Russia as it proceeds with a plan for a new round of spending cuts and more vigorous tax collection measures.

"Foreign investors should feel confident there will be no collapse of financial markets in Russia," Mr. Yeltsin said, tapping the table for emphasis. "The central bank and Finance Ministry today possess enough reserve funds to stay afloat. That's what is important."

According to the latest report from the central bank, Russia's gold and currency reserves stand at \$14.5 billion, against the \$23 billion declared in October.

Maintaining the stability of the ruble was a key achievement of Mr. Yeltsin's previous government over the last few years, and as the new government's near-desperate actions this week demonstrated, a stable currency remains Moscow's top priority for keeping the shaky Russian economy on track.

The arrival Thursday evening in Moscow of a top official of the International Monetary Fund is seen here as a sign that some help is already on the way. John Odling-Smeat, the Fund official in charge of the former Soviet republics, was expected to confirm approval of a \$700 million installment of a

\$10 billion loan to Russia, delivering a seal of approval that has been closely watched by financial markets in Russia and abroad.

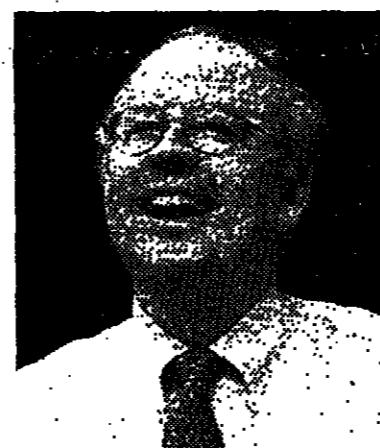
At a news conference Thursday in Kazakhstan, the IMF director-general, Michel Camdessus, said Russia's latest efforts had convinced the Fund that the country was serious about tackling its budget deficit.

"These are important enough that we believe we can release the next tranche of support," he said, adding that an announcement would come "in the next few days."

But the Russian deputy finance minister, Oleg Vyugin, said Moscow needed the psychological lift of more foreign credits — even if those credits turn out to be unnecessary.

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Starr's Evidence Strong



Kenneth Starr on Thursday.

While supporting President Bill Clinton's legal argument invoking executive privilege, the federal judge overseeing Kenneth Starr's investigation of the Monica Lewinsky scandal decided after reviewing secret evidence compiled by the independent council that the need to hear testimony by his aides outweighed the president's right to confidentiality.

Chief U.S. District Judge Norma Holloway Johnson's decision May 4, which was unsealed Wednesday along with legal pleadings related to the ruling, found a legal basis for claiming executive privilege to try to prevent prosecutors from asking senior White House aides about conversations concerning the investigation. But Judge Johnson said Mr. Starr had shown his evidence privately that showed such testimony to be too important to be protected.

"If there were instructions from the president to obstruct justice or efforts to subvert perjury, such actions likely took the form of conversations involving the president's closest advisers," Judge Johnson wrote.

The judge noted the similarities between the case and the successful efforts by prosecutors to force President Richard Nixon to surrender secret Oval Office tapes involving Watergate. Mr. Nixon also cited executive privilege in his legal arguments, which led Judge Johnson to note "the factual similarities between the Nixon cases and the case at hand."

In her ruling, Judge Johnson also made the unprecedented finding that Hillary Rodham Clinton, the first

lady, is covered by executive privilege as a de facto senior adviser to the president.

In Los Angeles, Ms. Lewinsky arrived at a federal building Thursday morning to give handwriting, fingerprint and voice samples as part of the investigation. She had no comment to reporters and looked forward without expression as she was met by five FBI agents.

In Washington, a presidential confidant, Vernon Jordan Jr., returned Thursday to testify to the grand jury investigating Mr. Starr's allegations in their case. Page 3.

CHALLENGES OF THE INFORMATION AGE

Is Intel the Next Target? U.S. Prepares Antitrust Suit Against Chipmaker

By Joel Brinkley
New York Times Service

WASHINGTON — The Federal Trade Commission is preparing to file a major antitrust suit against Intel Corp., charging the company with abusing its position as the monopoly manufacturer of microprocessor chips for personal computers and bullying some computer manufacturers, according to lawyers involved in the investigations.

The suit will accuse Intel of selectively withholding key technical information about its microprocessor chips from the computer manufacturers with which Intel is involved in patent and related product disputes. Without that data, the manufacturers are unable to design new products.

If filed as planned, the suit would be the second front in the federal government's assault on "Intel," as the personal computer juggernaut built around Microsoft Corp.'s Windows operating system and Intel's microprocessors is known in industry parlance. Intel's processors and Microsoft's operating sys-

tems are the brains and nervous system, respectively, that run 90 percent of the world's personal computers.

The Justice Department and 20 state attorneys general filed antitrust actions against Microsoft on May 18. A federal judge in Washington combined those cases, and they are scheduled to be heard in September.

The Federal Trade Commission law-

yers said the commission might file even more charges against Intel, accusing the company of using predatory pricing and contract provisions to expand its monopoly position and to squeeze its few competitors out of the market. Those are the same general complaints filed against Microsoft last week.

Chuck Mulvey, a spokesman for Intel, in Santa Clara, California, said: "Our view is that we are not going to comment because this is not public yet. We

See INTEL, Page 5

An On-Line Conviction

Ex-Chief of German CompuServe Sentenced

By Alan Cowell
New York Times Service

BONN — In a ground-breaking decision with wide ramifications, a judge in Bavaria ordered a suspended jail term Thursday for the former head of CompuServe Deutschland on charges of distributing pornography.

The suspended two-year term represented the first time in Germany that the manager of an on-line company had been held legally responsible for Internet images accessed through its service. And it raised much broader questions — not just about the future of Internet businesses based in Germany but about the policing of cyberspace.

"This is certainly going to cast a pall over the Internet business in Germany," said Christopher Kuner, a Frankfurt lawyer specializing in Internet issues. "Internationally, it will give Germany a black eye."

Felix Sommer, the former head of CompuServe Deutschland, was indicted in April 1997 on 13 counts of distributing pornography involving children

and animals on news groups allegedly accessed via CompuServe.

The indictment raised an outcry among advocates of free expression and among experts who argued that it was technically impossible to block the offensive sites. Initially, CompuServe Deutschland did close down some 200 sites, but that produced a further outcry that some of the sites had nothing to do with pornography.

On top of that, the German Parliament later approved legislation largely exempting access providers from legal responsibility for material beyond their control. The law, Mr. Kuner said, made access providers liable for the content of their own material or stored, third-party material "only to the extent it would have been reasonable to block it."

Under those laws, Mr. Sommer's supporters said, it would have been difficult to bring him to trial. Indeed, even in Mr. Sommer's case, both the defense and the prosecution in a Munich courtroom argued Thursday that he be acquitted.

See COMPUSERVE, Page 5

AGENDA

Indonesia Pledges Elections Next Year

President B.J. Habibie of Indonesia agreed with parliamentary leaders Thursday on a plan to hold elections in 1999, after an overhaul of the country's political system by the national assembly later this year.

Mr. Habibie, struggling to stabilize his week-old government and gain renewal of aid from the International Monetary Fund, offered the timetable for political change in response to rising opposition pressure.

He met with the Parliament speaker, Hamzah, and senior cabinet members in a parliamentary building surrounded by troops and armored personnel carriers and flanked by hundreds of student demonstrators. Page 4.

The Dollar

New York	Thursday @ 4 P.M.	previous close
DM	1.781	1.7835
Pound	1.628	1.631
Yen	138.75	137.375
FF	5.971	5.978

The Dow

	Thursday close	previous close
+33.63	8970.20	8938.57
S&P 500		
change	Thursday @ 4 P.M.	previous close

+5.33 1097.56 1092.23

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THE AMERICAS

• Starr's Secret Evidence Overwhelmed Judge's Support for Confidentiality

By Peter Baker
and Susan Schmidt
Washington Post Service

WASHINGTON — The federal judge overseeing the Monica Lewinsky investigation agreed with President Bill Clinton's legal argument invoking executive privilege but decided that his right to confidentiality was outweighed after Kenneth Starr, the independent counsel, privately presented secret grand jury evidence to her.

In a May 4 decision that was made public Wednesday, Chief U.S. District Judge Norma Holloway Johnson determined that Mr. Clinton could legitimately claim executive privilege to try to prevent prosecutors from asking senior aides about internal White House conversations concerning the Lewinsky probe. But Judge Johnson added that a private meeting with Mr. Starr in her chambers had convinced her that the testimony of those aides was important enough to negate Mr. Clinton's assertion of confidentiality.

If there were instructions from the president to obstruct justice or efforts to suborn perjury, such actions likely took the form of conversations involving the president's closest advisers, including Lindsey and Blumenthal," Judge Johnson wrote, citing Bruce Lindsey, deputy counsel, and Sidney Blumenthal, communications strategist.

The documents unsealed Wednesday — which include Judge Johnson's 34-page ruling and an inch-thick stack of legal pleadings — offered the first inside glimpse of the fierce legal battle that has been waged behind closed doors for months between the White House and Mr. Starr's office.

White House lawyers have filed a notice that they intend to appeal the ruling. But an appeals court has sent the case back to Judge Johnson because the White House simultaneously asked her to reconsider her ruling.

Until Wednesday, both sides were forbidden by court order from discussing the matter, and Mr. Clinton has declined even to acknowledge that he invoked the privilege. His legal briefs, though, made clear how the specter of impeachment was for Mr. Clinton in the first few weeks after Mr. Starr began in January to investigate allegations that Mr. Clinton had had an affair with Ms. Lewinsky, lied about it under oath and urged her to do so as well.

Throughout the court papers, Mr. Clinton's lawyers cited the possibility of congressional impeachment proceedings as a justification for his claim of executive privilege, arguing that he needed candid and private advice from his aides about how to counter any effort to remove him from office.

In her ruling, Judge Johnson concurred that the first lady serves as a de facto senior adviser to the president and,

idential secrecy the likes of which have not played out since President Richard Nixon failed, while citing executive privilege, to prevent prosecutors from obtaining secret Oval Office tapes involving the Watergate cover-up. Indeed, Judge Johnson repeatedly referred to that case in her ruling, at one point writing of "the factual similarities between the Nixon cases and the case at hand."

In addition to the first explanations of the competing legal arguments and Judge Johnson's ruling, the papers also provided several key new details about the investigation, although the court withheld many significant elements, such as the questions that Mr. Lindsey and Mr. Blumenthal refused to answer before the grand jury.

Among other things, the court documents confirmed that Mr. Lindsey has been debriefing grand jury witnesses or their lawyers after their testimony in the Lewinsky matter.

While news organizations previously reported that Mr. Blumenthal had declined to disclose his discussions with Hillary Rodham Clinton about the Lewinsky situation, the documents show that Mr. Lindsey also had cited executive privilege to protect his conversations with the first lady.

In her ruling, Judge Johnson concurred that the first lady serves as a de facto senior adviser to the president and,

in the first such ruling by a judge, concluded that she is covered by executive privilege.

A third aide also cited executive privilege in declining to answer questions before the grand jury about Ms. Lewinsky, another former White House aide, Kathleen Willey, who has alleged that Mr. Clinton groped her against her will during a meeting in the Oval Office suite, or both.

After Mr. Starr filed a motion to compel the aide's testimony, the White House backed down and instructed her to answer.

The aide was not identified in the papers, but sources have said she is Nancy Henevreich, director of Oval Office operations.

According to the papers, the White House made a last attempt March 4 to head off a court confrontation on executive privilege by offering to allow aides who were not attorneys to testify about "factual information" arising from the disputed White House conversations, but not "strategic deliberations and communications." Mr. Starr rejected the offer as inadequate and a delaying tactic, writing: "This is word

."

In addition to executive privilege, the White House also claimed attorney-client privilege regarding Mr. Lindsey.

In her ruling, Judge Johnson agreed with the White House that it could in-

voke attorney-client privilege with a government-paid lawyer but again determined that Mr. Starr's need for evidence outweighed the privilege in this instance.

Mr. Starr argued that Mr. Clinton had no legal basis for using executive privilege as a shield to keep prosecutors from getting at potential criminal conduct, saying that the issue in dispute involved his private behavior, not official business.

Under the line of reasoning advanced by the White House, Mr. Starr wrote, "every potential White House scandal can be shrouded in executive privilege. If a president were to murder a political opponent, he would argue that the resulting uproar could impair his legislative program, distract him from his duties, affect his dealings with foreign heads of state and potentially give rise to impeachment proceedings — the very arguments raised by the White House here."

"The result would be this: A privilege intended to aid the functioning of the executive branch would be transformed into a cloak for the gravest private misdeeds of a president."

Mr. Starr dismissed the White House assertion that the Lewinsky issue has become an official government matter because it threatens to distract the president from foreign policy and his other duties.

"Under this theory," he wrote, "a president's financial problems, marital discord, chronic backache or private litigation likewise could fall within the zone of official concerns."

Mr. Clinton argued that the Lewinsky matter had seriously affected his ability to do his job in some regards.

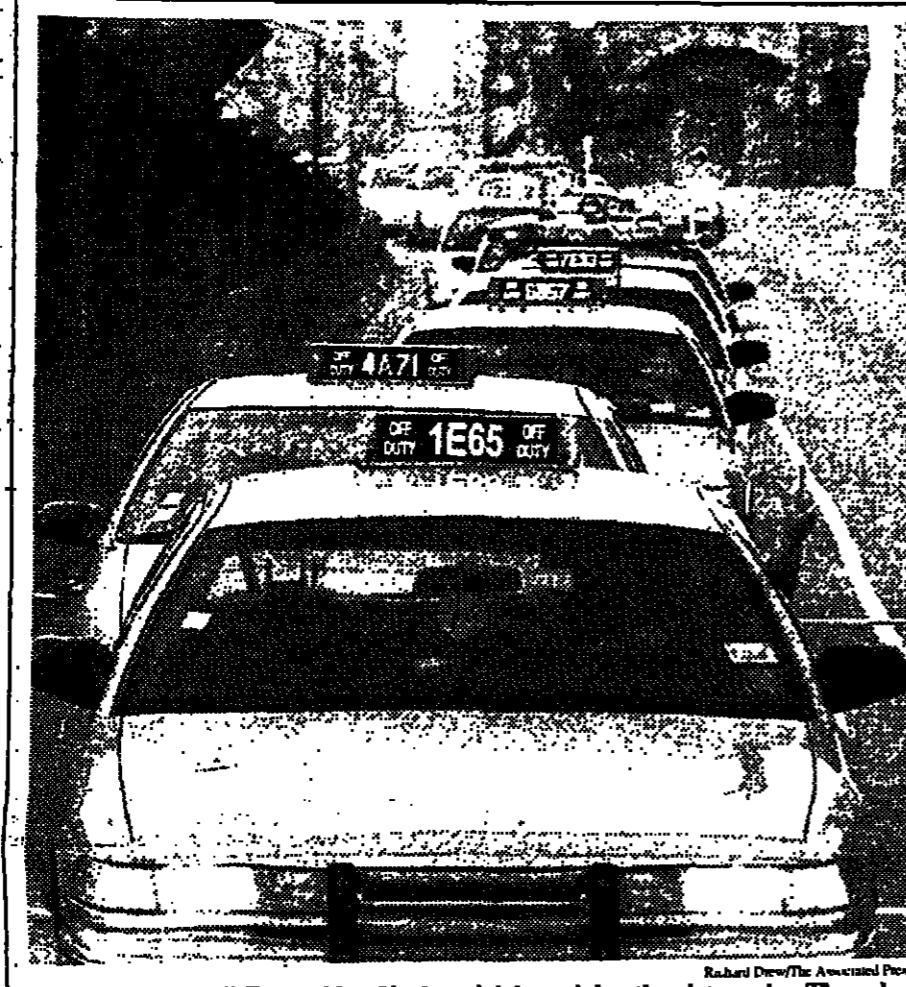
Among other things, he said it was affecting his ability to sell his domestic program and to marshal public support for his threatened military showdown with Iraq.

As a result, his aides' deliberations about the Lewinsky matter were a function of official duties, he argued.

"In discussing with the president his ability to achieve the administration's domestic policy objectives, advisers must take into account the impact of issues arising out of the Lewinsky investigation on his efforts and advise him accordingly," the White House counsel, Charles Ruff, wrote.

Judge Johnson agreed with that assessment, saying that to argue otherwise would be "oversimplified." But she said with Mr. Starr in determining that even a legitimate claim of executive privilege is in most cases trumped by the overriding needs of a criminal investigation.

Mr. Starr argued that the evidence he is seeking from Mr. Lindsey goes to the heart of his investigation and cannot be obtained elsewhere.



YELLOW PARADE — A New York taxi driver giving the victory sign Thursday as he and his colleagues protested against new rules and increased insurance rates.

Supreme Court's Watergate Ruling Is Precedent

By Joan Biskupic
Washington Post Service

WASHINGTON — In ordering two presidential aides to testify in the Monica Lewinsky investigation, a federal judge has followed a map set out by the Supreme Court more than two decades ago in its historic decision ordering President Richard Nixon to turn over the Watergate tapes.

Legal experts say that since the ruling by the chief U.S. District Court judge, Norma Holloway Johnson, did not appear to represent a sharp departure from the relatively limited body of law in this area, the White House would probably face a difficult struggle in challenging the decision.

Judge Johnson did break some legal ground in two areas: She said that a prosecutor trying to present his case before a grand jury should have the same ability to get information that a prosecutor would at a criminal trial, and she ruled that executive privilege

"Johnson's opinion is absolutely consistent with Nixon," said Kathleen Clark, a law professor at Washington University in St. Louis. In her opinion, Judge Johnson said that, just as with Mr. Nixon, President Bill Clinton clearly has a right to have confidential conversations without worrying that their contents could be revealed. But she also made it clear that the needs of the current criminal investigation outweighed the claim of executive privilege.

Judge Johnson did break some legal ground in two areas: She said that a prosecutor trying to present his case before a grand jury should have the same ability to get information that a prosecutor would at a criminal trial, and she ruled that executive privilege

covers conversations between aides and the first lady.

It was not until Nixon v. United States in 1974 that the Supreme Court acknowledged a constitutional basis for executive privilege.

The court at that time rejected Mr. Nixon's claim that executive privilege should protect him from having to turn over his White House tape recordings.

The court said then that the need to produce evidence for a criminal trial overrode any general presidential interest in confidentiality.

In a similar vein, Judge Johnson said the evidence sought by the independent counsel Kenneth Starr "remains necessary to the grand jury and cannot feasibly be obtained elsewhere."

POLITICAL NOTES

A Delay on Cleaner Air

WASHINGTON — In a last-minute change to the highway bill that President Bill Clinton will sign next week, Congress has postponed for several years plans to clear the haze of pollution that often obscures the vista in parks, wilderness areas and other relatively pristine areas.

The highway legislation, which Congress approved Friday, includes a brief section that will put off for six to nine years the first steps to bring states into compliance with the Clean Air Act's long-standing goal of "reasonable progress" toward eliminating man-made haze in specially protected areas.

Until Congress quietly intervened, the Environmental Protection Agency had planned to tell states to file preliminary plans by next year showing how they would eventually comply with new rules proposed last year that would raise visibility standards gradually over the next several decades.

But during hectic, last-minute bargaining last week, Senator James Inhofe, Republican of Oklahoma, and Representative John Dingell, Democrat of Michigan, scrapped that schedule by changing a few words in the highway bill that negotiators had expected would be overwhelmingly approved by the House and Senate and that faced no serious threat of a veto.

The agency's proposed regulations call for a 10 percent improvement in visibility every decade in 156 natural areas. The lawmakers successfully delayed the

agency's plans to require states to demonstrate how they would reduce emissions of pollution that travels downwind to those protected areas. The pollution comes from power plants, factories, automobiles and various other sources. (NYT)

Who'll Pay for Viagra?

WASHINGTON — The Clinton administration has told state officials that it intends to require their Medicaid programs to pay for medically approved uses of Viagra.

But states could limit the number of pills and prescriptions for the impotence drug.

The administration's plans have upset state officials, who contend that decisions on coverage of Viagra should be left to the states, which share Medicaid costs with the federal government.

In the two months since the federal government approved Viagra, states have adopted different policies. Some cover the drug, some refuse to pay for it and others have yet to decide.

Chris Jennings, a White House aide who supervises health policy, said federal Medicaid officials had told him, "If there is a medical rationale for using Viagra, it must be covered."

A senior official of the federal Department of Health and Human Services, speaking on condition of anonymity, said the agency believed that "if Viagra is determined by a doctor to be medically necessary, Medicaid should pay for it." (NYT)

Asbestos Study Downgrades the Risk of Cancer

By Joby Warrick
Washington Post Service

WASHINGTON — U.S. government regulators may have greatly overestimated the cancer risk from asbestos, according to new research that suggests that some of the billions of dollars spent to clean up contaminated public buildings may have been squandered.

Exposure to moderate levels of asbestos does not appear to increase a person's risk of developing lung cancer significantly, the authors of the new study conclude. They analyzed health records for thousands of women from a Quebec district that has the world's greatest concentration of asbestos mines and mills.

"We found no measurable excess risk of death due to

lung cancer," a Montreal epidemiologist, Michel Camus, and two colleagues wrote in a report published Thursday in the New England Journal of Medicine.

The Environmental Protection Agency model "overestimates the risk of asbestos-induced lung cancer by at least a factor of 10," the report said.

Other scientists disagreed sharply with the report's conclusions and cautioned against any weakening of government protections.

"All forms of asbestos are carcinogenic," said Philip Landrigan, a professor at Mount Sinai School of Medicine in New York who serves as an adviser to the environmental agency on children's health issues.

Asbestos, a fibrous, heat-

resistant material that is commonly used for insulation or fire-proofing, is known to cause cancer among workers exposed to heavy concentrations of the mineral.

But far less is known about the effects of lower doses.

For years, U.S. policy on asbestos has been driven by EPA "mathematical models that extrapolate from earlier cancer studies involving miners and industrial workers."

More recently, though, scientists have questioned whether the models can reliably gauge the cancer risk from far lower levels of airborne asbestos found in some older buildings.

To test the model, the three Canadian scientists tracked the cancer rate among thousands of women who lived in

a cluster of towns in Quebec's asbestos district.

Most of the women lived less than three miles (five kilometers) from an asbestos factory or mine at a time before modern pollution controls were in use.

By simply breathing, people in the study area would have been exposed to asbestos levels that are five times higher than the maximum exposure limit for today's asbestos workers, said Jack Siemiatycki, a professor of epidemiology with the University of Quebec's Institut

Armand-Frappier and a co-author of the report.

Yet the region's women turned out to be no more likely to develop lung cancer than comparable groups of women in other parts of the province.

"If these people didn't experience excess rates of cancer, it's hard to understand the meaning of all the risk projections being done for schools and buildings where people are panicking because they're being exposed to small amounts," Mr. Siemiatycki said.

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* Based on 1997 customer preference study.

ASIA/PACIFIC

China Sent Letter to Pakistan on Tests (and Perhaps a Signal to U.S.)

By John Pomfret

Washington Post Service

BEIJING — Just days ago, before Pakistan exploded five nuclear devices on Thursday, deepening the security crisis in South Asia, President Jiang Zemin of China wrote a letter to the Pakistani government, after a telephone conversation with President Bill Clinton, requesting it not stage a nuclear test, sources said.

Obviously the letter, which was relayed after the two presidents talked Monday morning on a hot line connecting Beijing and Washington, did not fend off the Pakistani tests. But sources pointed to Mr. Jiang's willingness to send it as an act of good faith and a sign that China appeared willing to break its long-standing support of Pakistan's nuclear program.

The sources said that Mr. Clinton had asked Mr. Jiang to write the letter during a call that marked the first use of the hot line.

The sources said that the Chinese president had agreed. During the conversation, which was arranged on Saturday, Mr. Clinton also told his Chinese counterpart that he intended to come to

Beijing in late June for a summit meeting despite calls in Congress for him to postpone the trip.

On Thursday night, China expressed its "deep regret" over the test, the Chinese Foreign Ministry spokesman, Zhu Bangzao, said.

Mr. Zhu added that the Chinese government was "deeply worried about this and feels uneasy about the present nuclear race in South Asia," the official Xinhua press agency quoted him as saying.

China has reserved its harshest criticism, however, for India, which began a series of nuclear tests on May 11.

China held a series of talks with Pakistani military and diplomatic officials before Pakistan decided to explode the devices. Chinese sources close to those talks confirmed that, despite speculation to the contrary in the West, China did not offer Pakistan any type of nuclear umbrella or guarantee. An Asian diplomat said Pakistan had initially wanted to explore the possibility of such cooperation.

The previous rationale was that we should agree with the nuclear powers to stop proliferation," said a Chinese source. "But if the United States cannot convince other countries to stop nuclear development and if it is seen as

between the United States and China in dealing with the crisis caused by the Indian and now Pakistani nuclear tests. The sources said that the Chinese had not shown American officials a copy of the letter, but that the Americans were assured that it had requested Pakistan to hold off on any tests.

But one Chinese source said India's nuclear tests had caused some Chinese officials to reconsider any commitment they might have to the U.S. policy that opposes the spread of nuclear weapons to other countries but does not seriously address the issue of disarmament. China is a new and unsteady convert to this way of thinking.

China reportedly passed nuclear weapons technology, including a blueprint of the bomb, and ring magnets, among other weapons-related materials, to the Pakistanis before agreeing with the United States over the last two years to end such cooperation.

"The previous rationale was that we should agree with the nuclear powers to stop proliferation," said a Chinese source. "But if the United States cannot convince other countries to stop nuclear development and if it is seen as

subtly supporting India then we must rethink our whole rationale."

Mr. Jiang's letter comes at a time when U.S.-Chinese security cooperation is also facing challenges from Congress and from other sources.

Chinese officials, for example, have recently rejected an American proposal that China formally join the Missile Technology Control Regime and its annex in exchange for U.S. help for China's fledgling space program. Chinese and American sources said the U.S. government is concerned that China is selling missile technology to several countries, such as Pakistan and Iran, which could either damage U.S. interests or further damage regional stability in Asia. As a result, it offered to help China engage in the peaceful exploration of space in exchange for agreeing to stop exporting missile technology.

Two Chinese sources said the Beijing government recently turned down the proposal specifically because China wants the United States to shift its policy on Taiwan before China undertakes further cooperation in the area of proliferation and regional security.

An American official confirmed that China

was linking the Taiwan issue with its cooperation in the security field and described Taiwan as the "most neuralgic" issue in the relationship between Washington and Beijing.

China views Taiwan as a rogue province and has not ruled out force in order to unite it with the mainland. The United States says publicly that it follows a "one China" policy. U.S. law, however, mandates that the government take all necessary action to defend Taiwan if its security is threatened. Under this law, the United States is also allowed to sell Taiwan arms for its defense.

Of specific concern to China are American arms sales to Taiwan, Chinese officials said.

The problem here is that in the early 1980s, the United States signed a communiqué with China committing itself to slowly diminishing its support of Taiwan's Army. But in 1982, the United States sold Taiwan \$365 million worth of weapons. In 1997, \$1.8 billion worth of U.S. aircraft, were exported to Taiwan.

"There are strong reservations about joining the missile control regime because of the Taiwan issue," said a Chinese source.

Strike Fails To Dull Kim Popularity

Koreans Set to Give Him The time to Fix Things'

By Mary Jordan

Washington Post Service

SEOUL — Just before dusk on Thursday in this dense urban center, 10,000 strikers pumped their fists in the air and marched in front of Choi Jung Ha's tiny storefront.

"See all these people," the store owner said, amid her stacks of cookies and chocolates and whiskey. "I feel sorry for them because they lost their jobs, but it's not President Kim Dae Jung's fault."

That kind of thinking — sympathy with workers losing their jobs but support for the president's pleas not to have disruptive strikes — is a key reason a two-day national strike fizzled on Thursday.

Mrs. Choi shook her head as the strikers shouted: "Guaranteed jobs!" as they continued their march through the city center.

"President Kim was right to say he would arrest anyone who had a steel pipe," she said. "He is trying to do something, to fix things, and this doesn't help."

Mr. Kim continues to dodge land mines, such as potentially paralyzing strikes, in large part because he has support from people like Mrs. Choi to help him navigate the hazardous road ahead.

Only in office for three months, Mr. Kim's high popularity ratings despite the desperate economic situation he inherited is expected to help his party capture a majority in Parliament in important national elections next week.

"Because of the current economic problems, the unions have little support for strikes," said Kim Jong Kun, 39, a union member who nonetheless came to Myeongdong Cathedral, where the



A man in traditional Korean costume walking past a police line Thursday during a labor rally at a Seoul park.

Strikers gathered, to show his support for them.

"And because of these problems, I think most people will vote for Kim's party."

Most analysts agree, predicting that Mr. Kim's National Congress for New Politics will win the seats needed to gain control of the Parliament next Thursday. That would strengthen his hand as he tries to push through tough economic reforms.

Mr. Kim's continued popularity is seen as resting on his ability to ease the suffering of the growing jobless through unemployment benefits and new social and job training programs. Union leaders seek a cut in military spending to fund a social safety net.

Some analysts here say that when Mr. Kim meets with President Bill Clinton in Washington next month, he will no doubt be looking for some favors and loans to tide him through these rough times.

Many South Koreans interviewed this week said that they understood how precarious the national economy was and that they believed the wisest course was to rally behind the president.

A quarter of a million people each month are now being added to the jobless roles, and as unemployment soars, so too are suicides, crime and social unrest.

On Thursday, the government announced new dismal economic indicators showing that industrial output and

consumption are dropping like a stone.

That will mean factories will close for lack of a profit, more jobs will be lost, and big department store owners and small vendors like Mrs. Choi will earn less and less.

"There are so many burglaries, so many shops like mine getting broken into," said Mrs. Choi, a mother of three.

"Many people that used to have nice jobs now come to me and say, 'Please give me money so I can go home. So I can get something to eat.' I see all these people walking around stunned, a daze that they have no where to go during the day."

Mrs. Choi said her little store now sells about one-third what it did last year. She can no longer afford to pay one of the three student workers who helped her.

As she glanced at the protesting workers who continued to filly by her shop, she said she believed she would see more street demonstrations and rallies and strikes. "I understand that these workers feel better when they get together and raise their voice," she said.

At a recent nationally televised "town hall" meeting, Mr. Kim pleaded for national unity and said that personal sacrifice was demanded in this time of crisis.

"We have to accept pain this year," he said. "If we don't, we'll suffer for 10 years; but if we do, things will get better next year."

Mrs. Choi says that if Mr. Kim comes through on his promise to make things better within a year's time, "he will be a hero."

But, she said, if people feel that they are siding with him and suffering but nothing improves, "he will quickly turn into the enemy."

INTERNATIONAL

China Arrests 4 Taiwanese on Spying Charges

Agence France-Presse

BEIJING — Chinese authorities in Beijing have arrested four Taiwan businessmen on charges of spying, state television reported Thursday.

The police have "conclusive evidence" including confessions that the men were gathering military, economic and political information for the military intelligence bureau of Taiwan's Defense Ministry, the report said.

The men were identified as Kou Jia-juming, Han Yuetong, Chen Shaoyu and Zhou Changming.

Beijing's negotiating body for Taiwan, the Association for Relations Across the Taiwan Straits, sent a letter on Thursday to its Taipei counterpart, the Straits Exchange Foundation, regarding

the case. All those arrested are members of a Taiwan-based association founded by Mr. Kou in 1991 for civil exchanges between the island and China.

The official Xinhua press agency said the China Cross-Straits Non-governmental Exchange Association was used as a cover to recruit spies and send them to the mainland.

Mr. Kou, 42, identified as the ringleader, is reportedly the general manager of Taiwan Minghuan Enterprise Corp. Ltd.

Mr. Han is marketing manager for Pacific Development Corp., the television report said.

Mr. Chen, 43, is general manager of the Taiwan-based Huazheng Enterprise Corp. Ltd., while Mr. Zhou, 36, is gen-

eral manager of Gaoshangpin International Corp. Ltd., another Taiwan firm.

The suspects "seriously violated Chinese criminal law and the law of national security," state television said.

State security has "called in" seven others for questioning regarding the case.

The reported arrest follows criticism on Tuesday by Taiwan legislators over what they described as Chinese human rights violations against Taiwan businessmen suspected of being spies on the mainland.

Newspaper reports in Taipei had said mainland police separately arrested or restricted the movements of 18 businessmen for alleged spying.

beans and rice that people here depend on to survive. According to federal officials, some 10 million people in eight states are suffering the effects of drought.

Some have taken to hunting muskrats and fighting scrawny cattle for a kind of edible cactus that grows here. Others, like Mr. Carnio, have looted grocery stores and government food warehouses.

While the droughts in Brazil's northeast are periodic, with this year's made worse by the effects of El Nino, each one appears to take the country by surprise. Successive governments, including that of President Fernando Henrique Cardoso, have neglected permanent solutions like irrigation and wells to counter the inevitable low rainfall.

People instead speak of an "industry of hunger," with emergency aid traditionally being used by local politicians, who dole out baskets of rice, beans, pasta and salt in exchange for support, or who simply divert drought money for other uses. Government officials have admitted that this year some \$45 million budgeted for combating the drought was instead used to pay off the public debt.

Although the drought is six months old, the emergency food distributions began only recently, after the looting started. In the last few weeks, four food looting incidents have erupted in the Caruaru region, with some ending in police beatings and others with store

owners offering food to stave off the hungry. Around the northeast, 110 such incidents had been reported by Wednesday.

Thousands of people have migrated to cities in search of work and food. Lacking skills and education, however, they fare little better there, and instead join the legions of urban homeless.

"For the government, there's nothing better than a drought in an election year, because emergency food baskets mean votes," said Jose Amorim, a local leader of the Landless Rural Workers Movement who has been organizing the drought victims' looting of supermarkets here in Pernambuco State, some 2,570 kilometers (1,600 miles) northeast of Rio de Janeiro.

"We're organizing people, but only as a last resort," Mr. Amorim said in an interview.

Mr. Cardoso has criticized the land reform movement for coordinating the looting, and tried to have its leaders, including Mr. Amorim, arrested for disturbing the public order.

So far, however, judges have rejected the request, saying the government's case was poorly documented. Mr. Amorim contends that the looting broke out spontaneously, a week before the movement organized its first. In addition, under Brazilian law, people are permitted to steal food if they find themselves "in a state of necessity."

Timetable Is Presented For Indonesia Reform

Leaders Agree on Plan for '99 Elections

By Jackson Diehl

Washington Post Service

JAKARTA — President B. J. Habibie of Indonesia agreed with parliamentary leaders Thursday on a plan to hold elections in 1999, after an overhaul of the country's political system by the national assembly later this year.

Mr. Habibie, who is struggling to stabilize his one-week-old government and win the renewal of aid from the International Monetary Fund, offered the timetable for political change in response to mounting pressure from Indonesian opposition leaders.

Several opposition groups have called for elections within a year, and some are pressing for an immediate meeting of the national assembly to replace Mr. Habibie, who succeeded the longtime ruler, President Suharto, on May 21.

Mr. Habibie met with the Parliament speaker, Harmoko, and senior cabinet members in a parliamentary building surrounded by troops and armored personnel carriers and flanked by hundreds of student demonstrators.

Mr. Harmoko later announced that the national assembly, a 1,000-member body made up of the 500 members of Parliament and 500 other appointed officials, would meet at the end of this year or early in 1999 to revise the country's election laws, which for three decades served to prop up the authoritarian regime of Mr. Suharto.

"After the session has decided on elections, they still need time to make preparations, which include the participants and the system," Mr. Harmoko said after the 90-minute meeting. "This is expected to be completed in 1999."

It was unclear whether the new government's latest concession would satisfy the opposition or slow the powerful momentum for change here. Students who led the successful campaign against Mr. Suharto and a number of the new opposition groups are demanding that Mr. Habibie, a longtime protégé of Mr. Suharto, be replaced immediately by a new president and transition government not identified with the former regime.

Armen Rais, a Muslim leader in the protests against Mr. Suharto who has announced his presidential candidacy, said he opposed the plan. The national assembly, he said, was "stuffed with handpicked Suharto associates," and thus could not be relied on to put in place a new election system.

Military leaders, who hold the balance of political power in Indonesia, have so far supported Mr. Habibie and his political plans. But Indonesian sources say tensions within the military, which allowed Mr. Suharto's downfall last week only after a bitter internal struggle, remain high.

On Thursday, Defense Minister Wirantara, the army's top commander, grimly oversaw a ceremony in which his chief rival, Lieutenant General Prabowo Subianto, accepted a transfer that stripped him of control over a key special forces command in Jakarta. But General Prabowo, who is Mr. Suharto's son-in-law, has not yet left Jakarta, for his new post in a military college in the city of Bandung, and analysts said General Wirantara still faced potential challenges from Suharto loyalists.

Indonesia has held only one free democratic election in the 49 years since it won independence from the Netherlands. Military and civilian leaders in Jakarta, including politicians from more than a dozen new political parties formed in the last week, are just beginning to debate the form and limits of new elections, though it is expected they would encompass both a new Parliament and a new president.

The current Parliament contains a large group of appointed military members, and competition for the remaining seats in the 1996 elections was limited to Mr. Suharto's Golkar party and two small, officially sanctioned rivals. The Constitution calls for the president to be elected indirectly, a provision that most Indonesian analysts expect will be retained in any new system.

Mr. Habibie's proffer of an election timetable came as his government attempted to persuade a visiting official of the International Monetary Fund, the Fund's Asia-Pacific director, Hubert Neiss, that the IMF should resume a suspended bailout program for Indonesia.

Mr. Neiss, who was on a four-day visit to Jakarta to gather information for

a report to the IMF board, took the unusual step Thursday of meeting with a range of opposition leaders following his session with Mr. Habibie.

Mr. Neiss said he had met the opposition leaders to ask whether they would support a continuation of the \$42 billion IMF program, which requires Indonesia to overhaul its banking system, break up monopolies and cut back on subsidies, including some to consumer goods.

One of the opposition leaders, Mr. Rais, said after the meeting that he would support the IMF program.

"Clearly it would be better to continue with the plan because there are no other alternatives," he said.

Western officials in Jakarta said that the IMF could not easily renew its loan program without assurances that Mr. Habibie's government was capable of remaining in power long enough to carry it out. Officials say they hoped by issuing an election timetable, a step he avoided in a national address early this week, Mr. Habibie could defuse the demands for his removal and win a mandate to carry out the rescue program.

BRIEFLY

Burma Opposition Calls for Dialogue

INTERNATIONAL

In Indian Parliament, Calls for Calm Are Met With an Uproar

By Kenneth J. Cooper

Washington Post Service

NEW DELHI — Indian political leaders reacted to Pakistan's first nuclear tests on Thursday with calls for national unity, calm and resolve to meet the challenge of a dangerous new era in the regional rivalry.

But lawmakers did not immediately follow the advice of their leaders. The lower house of Parliament erupted in an uproar of shouting and finger wagging on Thursday afternoon when the news from Pakistan arrived during a second day of debate about India's own nuclear tests and its plans to make nuclear weapons. Opposition lawmakers boisterously accused the coalition government of endangering the nation by provoking a nuclear arms race.

The 545-member house did not settle down until the session was cut short and rescheduled for Friday, when debate will focus on Pakistan's bid to match India, test for test.

"A new situation has arisen," Prime Minister Atal Bihari Vajpayee said. "The house should think about it deeply and seriously."

"We may have our differences in our house," Mr. Vajpayee said, "but if the challenge is from the outside, we should give the message" that the country is together.

Sharad Pawar, a leader of the opposition Congress Party and former defense minister, said: "We should not get panicky. We are quite competent to face any situation."

Mr. Vajpayee asserted that Pakistan's action had been anticipated and justified India's decision to declare itself a nuclear power after conducting five tests this month.

Previously, Mr. Vajpayee and other government leaders had explained India's carrying out nuclear explosions as a response to a perceived strategic threat from China. China, a declared nuclear power, was not mentioned publicly on Thursday.

"Pakistan's nuclear tests have confirmed what has been known all along," the Indian Foreign Ministry said, "that the country has been in possession of nuclear weapons."

"This event vindicates our assessment, and our policy as well as the measures that have been taken," the ministry added.

It was unclear whether Pakistan's tests and its vow to install nuclear warheads on its Ghauri missile, which is capable of hitting most major Indian

cities, would change India's evolving nuclear policy. Mr. Vajpayee said the developments "will be taken into account in formulating our policies."

But Defense Minister George Fernandes, who is not a member of the Hindu nationalist Bharatiya Janata Party, which leads the 14-party coalition government, said India would continue its moratorium on additional tests while proceeding with plans to build an nuclear arsenal.

"We'll go according to our own plans and programs," Mr. Fernandes said. "I don't think these tests will lead us to any change."

Last week, two ministers from the Bharatiya Janata Party had sent rumors of war swirling in the capitals of both India and Pakistan by making provocative statements about Pakistan's alleged support of separatist insurgents in the Indian part of Kashmir, the disputed Himalayan territory which has caused two wars between India and Pakistan.

A senior aide to Mr. Vajpayee later tried to ease the tensions caused by the bellicose statements of Home Minister L. K. Advani and Tourism Minister Madan Lal Khurana. Not all party members have abandoned such rhetoric. As he got into his car to leave Parliament, Satya Pal Jain, a junior lawmaker, said, "We are ready for war."

Opposition lawmakers said such statements, as well as the nuclear tests, endangered national security instead of reinforcing it.

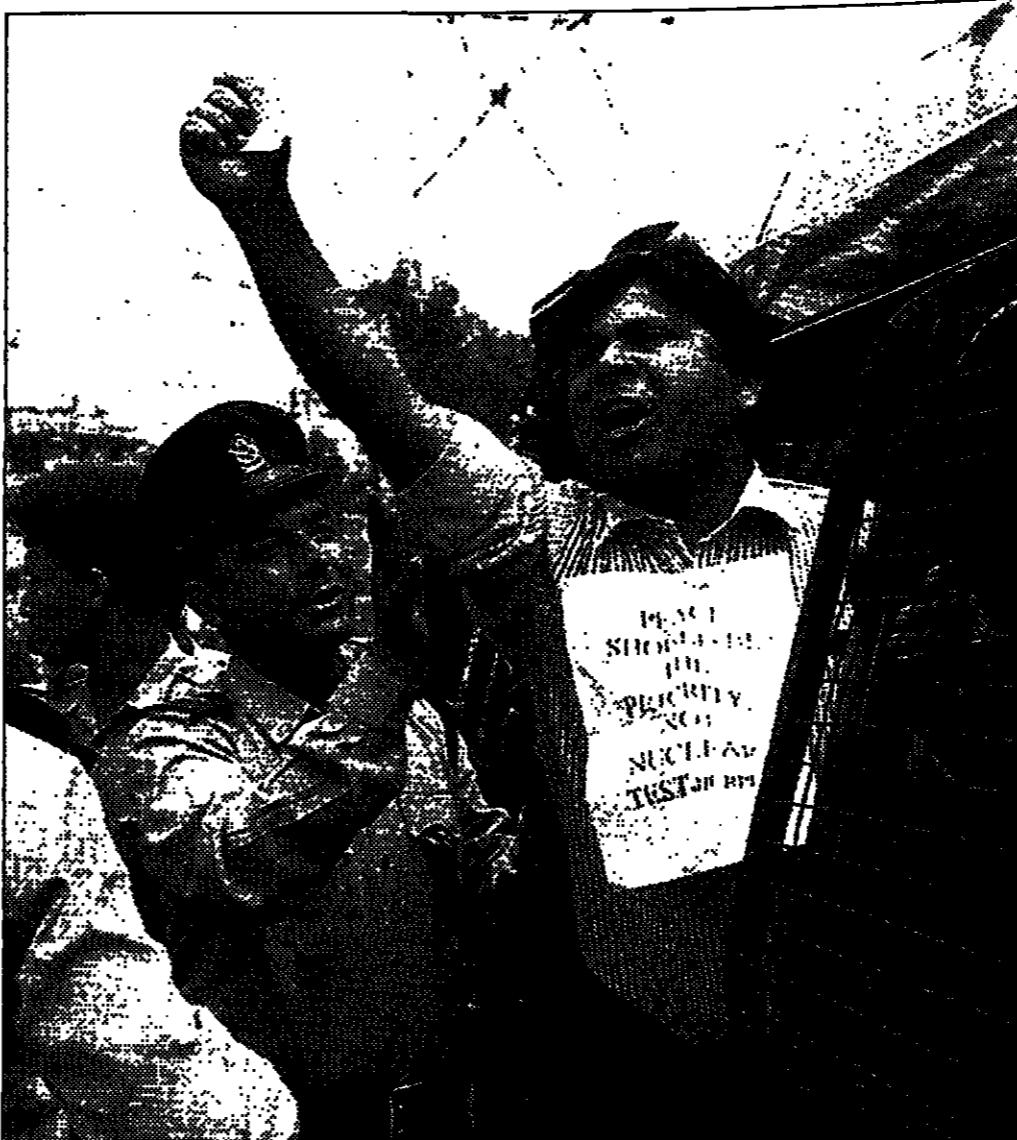
"They want to go to war and create a war hysteria," said Natwar Singh, a former foreign minister and a member of the Congress Party.

Somnath Chatterjee, a Communist lawmaker, said: "Now, it is a nuclear arms race in this region. That is our grave concern. Can the safety of this country be left to these people?"

S. Jaipal Reddy, a leader of the left-leaning Janata Dal party, said that before Pakistan's tests: "India had a decisive military edge over Pakistan. We must remember that an atom bomb is a great equalizer. With this test, the edge that India had has been wiped out."

In a historical sense, Pakistan's testing completed a delayed chain reaction started in Asia when China conducted its first nuclear test in 1964, prompting neighboring India to order its peaceful nuclear program to begin weapons research that ultimately resulted in its first underground test a decade later.

The Indian test in 1974 prompted Pakistan's leader at the time, Zulfikar Ali Bhutto, to vow to go for nuclear status even if we have to eat grass."



A Nepalese man wearing an antinuclear slogan shouting as he was arrested on Thursday in Katmandu, where the Indian president, K. R. Narayanan, arrived for a three-day visit. (Devena M. Singh/Agence France Presse)

PAKISTAN: First Nuclear Tests Accelerate Regional Arms Race

Continued from Page 1

are to deter aggression, whether nuclear or conventional."

The statement implies that if Pakistan, whose conventional forces are dramatically inferior to India's, were to face defeat in a conventional war, it might resort to nuclear weapons.

Pakistan's decision to push forward with testing and confirm its long-suspected nuclear capabilities came after two weeks of intense diplomatic pressure not to follow the example of India, which also was known to have an aggressive nuclear program since it first tested a nuclear device 24 years ago.

Mr. Sharif was besieged by phone calls from world leaders, including President Bill Clinton, Prime Minister Ryutaro Hashimoto of Japan and Prime Minister Tony Blair of Britain, all of whom offered to help Pakistan with conventional weapons and economic assistance if

Mr. Sharif would forgo nuclear testing. The tests also followed what appeared to be provocations by India, which is governed by the Hindu nationalist Bharatiya Janata Party. Acting on a pledge in its party platform, it staged India's tests just six weeks after it gained office as the head of a shaky 14-party coalition.

Political analysts said the Indian government was driven by a desire to win international prestige as a nuclear power and to shore up domestic support, perhaps in preparation for calling early elections and trying to win a majority.

Shortly after the tests, the Indian home minister, L. K. Advani, warned Pakistan that it should recognize the new strategic reality and stop interfering in Kashmir, a mountainous border region that both countries claim. Pakistanis regarded the comments as nuclear blackmail, which hardened demands, especially among influential Muslims, to respond with tests.

Pakistani military sources said that recent heavy movement by Indian troops along the border in Kashmir — long considered one of the world's prime flashpoints for nuclear war — also raised concern that the Indian Army might cross the border if there was no demonstration of Pakistan's nuclear capability and resolve.

Pakistan will now face the same economic sanctions that were imposed on India after it exploded its devices, but the impact is most likely to be much graver here because of the country's smaller economy and bleaker debt picture.

Under U.S. law, Washington must suspend foreign aid, ban private bank assistance to the government and vote against loans and grants from such multilateral lending institutions as the World Bank and the International Monetary Fund.

Financial analysts have said — and Mr. Sharif was warned by top aides — that with a national debt of \$50 billion, annual debt payments of \$5.5 billion and only about \$1 billion in foreign reserves, that Pakistan could go into default on its international loans. That could lead to spiraling inflation, currency devaluation and social and political unrest.

Signaling the deep concern of the financial community, which was rife with rumors of an imminent test, the Karachi Stock Exchange closed Thursday at 1,048 points, its lowest ever. Since India's tests, the Karachi exchange has lost 495 points, or almost a third of its value.

Mr. Sharif and his cabinet have said that neither the threat of default nor the promise of economic rewards will influence their final decision, which they insisted concerned national security.

In his speech to the press, the prime minister said that since India's tests, the world community had offered nothing to increase Pakistan's security against India, similar to the sort of inspections and sanctions leveled against Iraq during and after the Gulf War in 1991. But the world community clearly did not have the stomach for such a public flogging of India, the world's biggest democracy and self-declared leader of nonaligned nations.

The decision to proceed leaves world arms-control efforts in general, and U.S. nuclear nonproliferation policy in particular in a shambles.

Neither India nor Pakistan has signed the Nuclear Nonproliferation Treaty or the Comprehensive Test Ban Treaty, the two principal global accords on nuclear weapons.

The world community is now left with a choice of making India and Pakistan nuclear rogues states or eventually welcoming them into the nuclear club and seeing a precedent for other countries, such as Israel and North Korea, to expand a device.

The five tests conducted by Pakistan were a bit surprising, given that analysts had estimated that it possessed enough material to construct just 15 to 25 nuclear weapons. This meant that the country could have used as much as a third of its stockpile of nuclear material.

India, analysts say, has enough material to construct as many as 74 bombs.

Mr. Sharif, in his speech and subsequent press remarks, provided few technical details about the tests. He took no questions and no officials were available for elaboration.

Foreign Secretary Shamshad Ahmad said that results of the blasts were still being analyzed and declined further comment.

Mr. Sharif said the detonations had released no radiation into the air.

GERMAN LAW CORRECTS SOME WRONGS OF NAZIS

Moral Rehabilitation for Victims of Injustice

By Alan Cowell

New York Times Service

BONN — Years after the death of many of its likely beneficiaries, the German Parliament finally approved a mass pardon Thursday for hundreds of thousands of people punished unjustly by Nazi courts, military tribunals and medical panels.

The new law is designed to provide moral rehabilitation for those Germans who fell foul of the Nazi system as resistance fighters, homosexuals and deserters. It also formally exonerates some 350,000 people forced to undergo sterilization because of physical disabilities during the Nazi era from 1933 to 1945.

"No conviction that represents typical Nazi abuse of justice will any longer be valid," said Hors Eymann, the chairman of a parliamentary panel that drew up the new law. Both the surviving victims and their families "will now be able to feel they have been rehabilitated."

However, the final draft of the pardon left some ambiguities over the contentious issues of deserters and homosexuals — part of the debate that has helped up the law for decades as courts wrangled over the status of Nazi courts and laws.

In the 1950s and 1960s in particular, German courts reaffirmed Nazi judicial actions, strengthening suppositions that many judges at that time were protecting their own shadowy pasts under Hitler.

The new law also drew contentious debate.

Conservatives, including many in

Chancellor Helmut Kohl's Christian Democratic Union, argue that deserters endangered other German soldiers — whatever the cause they were fighting for — and that no specific reference should be made to homosexuals, tens of thousands of whom were persecuted by the Nazi authorities.

Additionally, some 20,000 deserters were sentenced to death by Nazi courts along with conscientious objectors. Others were sent to concentration camps. The German Parliament last year granted compensation of \$4,200 each to the families or to any survivors of deserters and conscientious objectors. But that did not formally exonerate them.

The new law, which does not offer compensation, said Nazi convictions "for political, military, racial, religious or philosophical reasons after Jan. 30, 1933, that offend the basic precepts of justice, will be lifted." Its supporters said the phrasing of the law included deserters and homosexuals without mentioning them specifically.

The wording was a compromise between Mr. Kohl's followers and opponents seeking acknowledgment of the persecution of homosexuals, deserters and conscientious objectors. The precise nature of the purported offenses against Nazi law was not spelled out, opponents of the compromise language said, so that the pardon remained ambiguous.

"Not all homosexuals and deserters will be rehabilitated unconditionally," said Volker Beck, the legal spokesman for the opposition Greens party.

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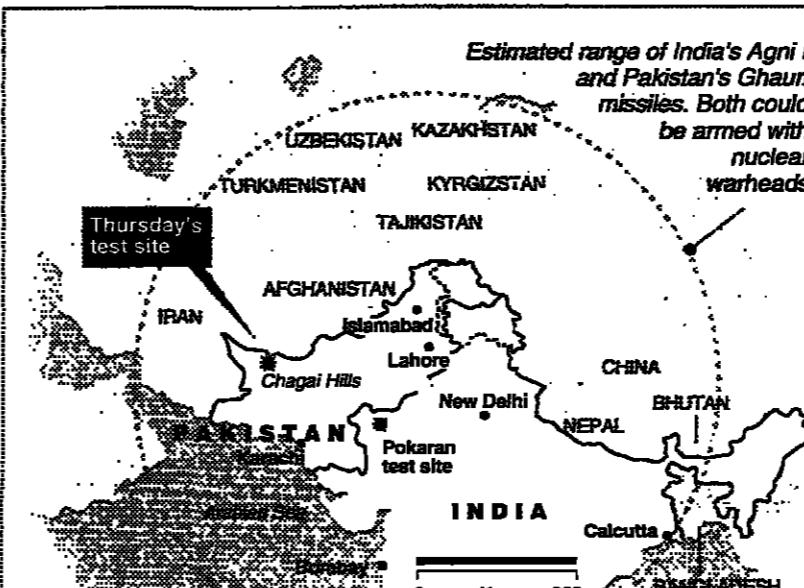
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Conservatives, including many in

**The Missile Race**

INDIA	Pakistan
Missiles	Missiles
Prithvi 150 Payload 1,000 kg	Haf 1 & 2 Payload 500 kg
Prithvi 250 Payload 500 kg	Haf 3 Payload 500 kg
	M-11 Payload 500 kg
	Under development Agni, flight tested to 1,400 km, future range 2,500 km
	Under development Ghauri, flight tested to 1,500 km, future range 2,500 km
AIR FORCES	AIR FORCES
777 combat aircraft. Advanced fighter-bombers include the Russian-made Su-30s with a range of 5000 km, MiG 23s, French Mirage 2000s, and French-British Jaguars	429 combat aircraft. Fighter-bombers include U.S.-supplied F-16s. Chinese-built planes include F-6s.
Personnel	Personnel
Army 980,000 Navy 55,000 Air Force 110,000 Total armed forces 1,145,000	Army 520,000 Navy 22,000 Air Force 45,000 Total armed forces 587,000

Sources: International Institute of Strategic Studies; Jane's Defence Weekly; NYT

BRIEFLY**Arafat Faces No-Confidence Vote**

RAMALLAH, West Bank — A defiant Palestinian legislature said Thursday that it would hold a vote of no-confidence in the government of Yasser Arafat, the Palestinian leader, to protest its inaction.

The no-confidence vote, scheduled for Saturday, would be the first since the 88-member council was elected in January 1996.

A total of 28 legislators, including several members of Mr. Arafat's own Fatah faction, signed a petition in favor of holding the vote to protest the government's failure to approve a 1998 budget or to carry out the council's laws and resolutions, and Mr. Arafat's failure to put into effect long-promised reforms following reports of high-level corruption and mismanagement.

Trying to avert the council's action, Mr. Arafat on Thursday signed five minor laws passed by the legislature. But lawmakers were not satisfied. (AP)

Hackers Trash Israel Websites

JERUSALEM — Neo-Nazi computer hackers broke into 30 Israeli Internet servers at the end of the week, interfering with dozens of computer sites, the daily Ma'ariv reported Thursday.

The self-styled neo-Nazi hackers did "a thorough and meticulous" job, specialists told the newspaper.

The vandals damaged hard drives and files. The owners of the websites fear the hackers left viruses that can be triggered at a later date, it said.

The paper said the attack on the Israeli Internet sites was thought to be a response to the success of an Israeli hacker in September.

Mass Grave Found in Honduras

TEGUCIGALPA, Honduras — Investigators have discovered the remains of 98 people in a mass grave, including those of an American priest-turned-guerrilla missing since 1982, a human-rights group announced.

The investigators, working from information provided by the U.S. State Department, uncovered the mass grave of a Jesuit priest, James Francis Carney, and his guerrilla column, according to Berta Oliva, coordinator of the independent Committee of Relatives of the Disappeared.

Ms. Oliva said that exhumations would not begin until September. (AP)

CHAGRIN: Sanctions by Clinton

Continued from Page 1

Indian tests, deplored the Pakistani explosions.

Britain urged India and Pakistan to attend to their "immense development priorities" instead of seeking to "emulate the days of the Cold War in an armed confrontation." Canada said relations with Pakistan would be "placed on hold."

The U.S. sanctions are the same as those ordered against India: Washington will cut off foreign aid to Pakistan, restrict exports of military-related equipment, ban U.S. bank loans to the Pakistani government and instruct its delegations to the International Monetary Fund and the World Bank to vote against loans to Pakistan. On Tuesday, because of U.S. pressure, the World Bank announced an "indefinite delay" in \$865 million in loans to India.

But the impact on Pakistan, already under U.S. sanctions since 1990 because of its nuclear program, will be far more severe than it has been on India, and Prime Minister Nawaz Sharif warned his country on Thursday to brace for even more austere times.

Pakistan is more dependent than India on loans from multilateral agencies, said Kimberly Elliott of the Institute for International Economics.

EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The State of Russia

The world's financial markets have tumbled in the past few days, and worries about the fate of Russia's government and economy are one reason. The turbulence, in turn, has further shaken an already wobbly Russian economy. As Southeast Asian nations learned last year, this kind of economic chain reaction can be difficult to reverse, but a crisis can be averted in Russia if international investors and Russians themselves do not panic.

Russia's economic problems have worsened in recent weeks, but not by nearly as much as the market squalor would seem to indicate. Russian stock prices have fallen sharply, oil revenue is declining because of low world prices and the Kremlin is facing intense pressure to devalue the ruble, yet the overall state of the economy has not changed greatly. What has changed is sentiment among international investors.

Sobered by the Indonesian crisis, investors are more worried about risks, and Russia looks dicier to them than it did before.

The new Russian government, like the old one, is having trouble paying its bills because it has difficulty collecting taxes. That reflects a situation plaguing many Russian enterprises, which cannot come up with cash to pay their suppliers and workers, who in turn have trouble meeting their obligations. All these factors threaten to overwhelm previous accomplishments, including a decline in inflation and a return to economic growth last year.

— THE NEW YORK TIMES.

Done-Nothing Congress

It's too early to call this a do-nothing Congress; several months remain. But done-nothing fits. If anything, it underscores the barrenness of the record thus far this year.

The eight-lane highway bill to which the members gave final assent on their way out of town for the Memorial Day recess is their greatest accomplishment. The greater one would have been to veto it down. This is a budget-busting, election-year public works bill that has already taken a toll among social programs and that in the future will take more. A couple of retrograde environmental riders were added even as a germane provision to limit drunken driving was dropped in deference to the liquor lobby. The president should veto the bill and make lawmakers do it right, but apparently he won't. As to the rest:

• Tobacco legislation has been delayed in the Senate and is nowhere in the House. The clock now works against it. A good bill would tax up the price of smoking and reaffirm federal regulatory power. For various reasons — a mixture of doctrine and politics — the Republican leaders want to do neither but lack a plausible alternative. Party and Congress both are stymied.

• Campaign finance reform is likewise mired. The Republican leaders continue, with cause, to denounce the fund-raising excesses of the last campaign, but they balk at the legislation to end abuses because they, too, like the money. The Senate leadership led a filibuster to thwart a bipartisan majority in favor of reform; the House speaker, Newt Gingrich, and his lieutenants are struggling to do the same.

• The budget resolution on which the appropriations process and all other tax and spending steps in theory depend has yet to be adopted. It is not clear when or whether it will be. The Senate agreed two months ago to a sensible extension of last year's budget agreement. House leaders insist instead on striking an ideological pose — additional spending cuts to finance a sizable further tax cut. But they lack the votes for the spending cuts, except perhaps in the abstract; moderate Republicans have joined Democrats in calling the proposal extreme.

The two houses have also:

- Failed to pass a higher education bill. A crisis in the student loan program has been averted only by stopgap legislation. The members want to reduce the interest rate for students without reducing it comparably for banks and cannot figure out how to pay for it any more than they have paid, except through gimmicks, for the highway program.

• Failed to figure out how to respond to the president's proposals on managed health care. He would further regulate the industry — control the controlling of health care costs in an effort to maintain a balance. The idea is popular, but the managed-care compa-

Other Comment

Starr and the Secret Service

There is no precedent for the course that Kenneth Starr, the independent counsel, is pursuing. In its 97 years of guarding the president, the Secret Service has never been compelled to give the kind of testimony that Mr. Starr seeks.

Neither is there any precedent for claiming that the Secret Service, because of its work in such intimate proximity to the president, ought to be protected from testifying by a claim of privilege.

This legal void had not mattered. Now it does. If Judge Norma Holloway Johnson's ruling is upheld on appeal, Congress might want to consider legislation to clarify the Secret Service's responsibilities when it comes to confidentiality.

— Los Angeles Times.

Gingrich in the Middle East: Mouth Open, Foot in It

By Richard Cohen

WASHINGTON — For Newt Gingrich, the unacceptable has become the unacceptable. He expected President Bill Clinton's approval ratings to be in the low teens by now, and instead they have hovered in the Sinatra-Diana range. He expected his recent book to do well, but it lunged for the very bottom of the best-seller list, held on for a week and then fell or jumped to oblivion. This spring has been the winter of Newt's discontent.

And so to the surprise of no one, Mr. Gingrich started to open up on Mr. Clinton Daily, he lambasted the president as immoral and corrupt and then in a feverish fit induced by frustration and political greed (more about that later), flung himself into the Israeli-Palestinian negotiations, assuming the role of the older brother. He wasn't going to let Bibi kick around Bibi.

Bill Clinton is, in fact, pressuring Benjamin (Bibi) Netanyahu to make further concessions to Yasser Arafat. The administration has suggested that Israel pull back from an additional 13 percent of the West Bank. Mr. Netanyahu has said 11 percent and no more — the 2 percent, he has said, being the difference between something like life and death.

This cry about security has now been taken up by Mr. Gingrich. "When I see

an American diplomat suggest to Israeli generals that our understanding of their security needs on the West Bank is better than their understanding — I'm looking at somebody who's been in fancy hotels too long and out of touch with reality," Mr. Gingrich said, presumably from a Motel 6.

Mr. Gingrich did not say who this "American diplomat" might be, but we may assume he had Secretary of State Madeleine Albright in mind. Earlier this month, he called her "the agent for the Palestinians" — a phrase he either forgot or would like others to. At first he denied having said it and then, when confronted with the quote, he attacked Mrs. Albright's spokesman, Jamie Rubin, for mentioning it. If, however, Mr. Gingrich is sorry for what he said, he just ought to say so.

In fact, he ought to shut his mouth entirely — especially when abroad. He once promised Mrs. Albright that he would be a Vandenberg in her Acheson — a reference to the cordial bipartisan relationship established by Republican Senator Arthur Vandenberg and Secretary of State Dean Acheson from 1949 to 1951. But instead Mr. Gingrich is

coming on like Joe McCarthy. The word "agent" has an odious connotation. It suggests, in fact, a hidden agenda.

But it is Mr. Gingrich who has the agenda. In his recent visit to Israel, he made clear that he has an anti-Palestinian bent. He declared Jerusalem the then-and-ever capital of Israel when that, as he knows, is a passionate issue yet to be negotiated. It is precisely the sort of statement that can induce Arabs to dash into the street and throw rocks.

The Middle East negotiations are at an extremely delicate stage in which, on any given day, it looks as if a deal can be reached. For all Mr. Netanyahu's insistence that 13 percent would amount to an unpardonable security risk, he has all but accepted it in principle. His anxieties, in fact, may be totally unrelated to security and linked instead to domestic politics. Some of his right-wing political allies do not want the Palestinians an inch.

Mr. Gingrich, too, may be more interested in politics than he is in strict security matters. He may sense, as others have, that President Clinton's mudding of Israel has produced some unease in the Jewish American community. Polls suggest that American Jews think Mr. Clinton is on the right track, but embedded in the dissenting

minority are some awfully rich folks — Democratic givers who might be persuaded to switch to the Republicans. That is as much as security for the West Bank, may be on Mr. Gingrich's mind.

Whatever the case, the speaker is playing with fire. Mr. Netanyahu is a notoriously unpredictable fellow who vacillates between accommodating the Palestinians and rebuffing them. He has an inflated view of his standing in Congress (the Israeli press quoted him as vowing to "burn down Washington" if Mr. Clinton publicly blamed him for scuttling the peace process), which Mr. Gingrich has done precious little to correct. His political allies are some of the most reactionary and fanatical elements in Israeli society — zealots who want land more than peace. They know what God intends.

Others, though, are less sure. In fact, a good many Israelis think there will be no security until Israel and the Palestinians reach an agreement about land. Mr. Gingrich has now complicated that process, encouraging Mr. Netanyahu in his intransigence and Arab radicals in their bitterness. If the Nobel committee gives a booby prize for peace, this year's winner is a foregone conclusion.

Newt, take a bow.

The Washington Post.

There's More to Blair Than Simply 'Cool Britannia'

By William Pfaff

LONDON — The meetings of the leading industrial nations — now the Group of Eight, including Russia — were invented by President Valéry Giscard d'Estaing of France in the 1970s for informal discussion and coordination of economic policy.

In the years that followed they were turned into bloated demonstrations of national ego by the host countries, each attempting to outdo the others in sumptuous and vain display.

That now seems to have worn itself out. The latest meeting, in mid-May, with Prime Minister Tony Blair of Britain as host, was officially held in the old industrial city of Birmingham, although the leaders beat a retreat to a stately home. The affair produced only disagreements on forgiving more Third World debt and on sanctioning India's nuclear tests.

At the meeting Mr. Blair again displayed a determination to position himself in public appearances as Bill Clinton's best friend — as Robin to Mr. Clinton's Batman, to put it cruelly. This annoyed some of his fellow Europeans, since the British prime minister currently holds the presidency of the European Council.

Mr. Blair is often criticized in Britain for his emulation of Mr. Clinton's manner of campaigning and governing. His most acerbic critics, usually people who voted for him, say that he has abandoned principle for mendacious but electorally advantageous show, acting only as focus groups and pollsters advise him to act, while retreating from the promises on which he was elected last year.

Yet Mr. Blair does not seem a politician without conscience or principle. His commitment at university to Christian Socialism, and his successful efforts to reconstruct a serious political movement from the ruins of the old Labour Party, seem evidence of principled if pragmatic ambition.

Can Labour's successes in Britain influence continental European attempts to deal with the economic stagnation and high unemployment of recent years? That will depend on its practical achievement, which after only one year is not proved. It will also have to overcome the barriers of national tradition and assumption.

Since coming to office he has presented himself to leaders abroad as representative of a modern socialism which has left Marxism and class struggle behind and which will reform those

welfare policies of the 1950s and 1960s that cultivated a psychology of dependence in Britain. "New Labour" socialism maintains much of the market-dominated economic policy, monetary austerity and pro-business tilt of the Conservative governments that preceded it.

Mr. Blair cultivates the approval of Rupert Murdoch, who owns The Times of London and the two most down-market of London's tabloid newspapers. The latter are superstitiously believed to possess the evil eye that decides British national elections (although Labour in the 1950s and 1960s won elections despite right-wing tabloid opposition).

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Britain, for example, has since January unflinchingly allowed Rolls-Royce to be bought by Germans and Christie's auction house to go to France. The Jaguar, Aston-Martin and Lotus automakers already are in American hands; Rover belongs to BMW; the Savoy Grill belongs to Americans; Harrods belongs to an Egyptian, and nearly all of the great British merchant banks now are foreign-owned.

What will go into it no one knows. One British writer speaks of "a desperate urge to fill this stunning space with meaning but [with] no idea what that meaning might be."

The display will almost certainly have nothing to do with Christianity (which Mr. Blair professes), the anniversary of whose founder's existence the millennium marks, nor with the history of Western civilization, whose calendar this is.

The man in charge of the "millennium experience" has gone to Disneyland in search of inspiration. That has been taken as saying something, probably too much, about New Labour.

Nonetheless, Mr. Blair has a peace program for Northern Ireland spectacularly launched, with a Scottish Parliament to come and devolution of power elsewhere. Social policy is being reformed. The economy, for the present, is in good condition. Most important for him, his government has four years to go before it faces the voters.

International Herald Tribune.

Los Angeles Times Syndicate.

East Asia Can Learn From Latin America's Travails

By Nora Lustig and Michael Walton

WASHINGTON — East Asia's financial crisis is almost a year old. Its social dimensions are still unfolding — dramatically, in Indonesia; quietly in the lives of many people in South Korea, Thailand, the Philippines and Malaysia, through job losses, lowered incomes and cutbacks in government services.

Economic crises have been relatively rare in East Asia in the past generation, with the Philippines the major exception. In contrast, Latin America has experienced two major crises in the last 15 years, both starting in Mexico and both with substantial social costs.

Although social indicators, such as infant mortality rates and average years of schooling, continued to improve in Latin America, they did so at a slower pace, and there were widespread cutbacks in social spending.

In the 1995-1996 crisis, real wages in Mexico fell by more than 30 percent. In Argentina, unemployment rose by 6 percent and remained at around 18 percent of the work force for more than two years. As a result, poverty increased by more than 30 percent.

Latin American governments responded to the social costs of the economic crises in many ways. Measures ranged from food assistance programs, unemployment insurance, social funds, extension of health care coverage to the unemployed, scholarships for children, training and retraining programs and workforce programs.

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In Greece, Hidden Treasures Along Roads Less Traveled

*On the Untouched Island of Evia,
Discovering a Hikers' Paradise*

By Melanie Wallace

KARYSTOS, Greece — This town on the southern half of the Greek island of Evia is not pretty, nor is it particularly popular with tourists. Concrete multi-story dwellings ring its port, behind which looms the 1,400-meter Mount Ohi.

In summer, the ferry from Rafina, two hours away, makes a daily crossing. Long ignored, much of this 3,800-square-kilometer (1,457-square-mile) Aegean island — the second largest Greek island after Crete — is often bypassed by tourists bound for the northern Cyclades: Andros, Tinos and Mykonos.

But for hikers like me, who long for several days of trekking in a bit of Greece untouched by anything but wilderness and hospitality, Evia — and especially Mount Ohi with its mysterious *drakospito* (dragon house) — is an alluring destination.

In previous centuries, Karystos and nearby sites in southern Evia were renowned throughout the Mediterranean. Karystian marble of varying hues was quarried in the shadows of Mount Ohi. The Ottomans, who in the 15th century established themselves above what became Karystos's port, quarried not at all; they lived off the local population instead, extracting from it chestnuts and figs, yogurt and meat, grapes, grain and silk. In 1833 the Ottomans peacefully ceded Evia to Greece.

Since then, Karystos has, in a sense, devolved into a sleepy fishing town, which makes it the perfect base for day trips to Byzantine chapels, Kastro Rosso (a Frankish citadel), a Roman aqueduct and other outlying sites. These walks, mapped out on a brochure available at the information booth in the port, also lead to nearby villages and provide a welcome warm-up for hikers about to climb Mount Ohi.

There is a marked trail to Mount Ohi from the town of Mylo, and a refuge for hikers an hour from the peak. By chance I met Thanasis Biniaris, a grammar-school teacher in nearby Kalivia. He had restored the refuge after it had fallen into disrepair. An exuberant hiker and chronicler of southern Evia, Biniaris supplied me with a topographical map and the key to the refuge.

During the next two days, we walked the *kalderimis*, or inlaid stone pathways, around Karystos, uncovering ancient mosaic floors in meadows, passing a Roman aqueduct in an olive grove and visiting ruined Byzantine chapels. At a fourth-century Roman site, the floors of half a dozen ancient houses lay intact. Inlaid in one mosaic floor was a small, sunken fountain in the shape of an amphitheater, its miniature details a wonder of marble seats and stairways.

CLIMBING THE MOUNTAIN

On the third day I started out alone from Karystos for the refuge and the summit of Mount Ohi, carrying a backpack with a few changes of clothes, food, first-aid supplies and a liter of water (southern Evia's plentiful streams and springs never dry). As a lone female hiker, I felt completely safe. I have trekked alone in far more remote areas of Greece, encountering only kindness and hospitality, and Evia was no exception.

In Mylo, three kilometers (two miles) inland from Karystos, I easily found the sign for the refuge and the trail. After almost three hours, monolithic marble columns came into view, lying on the edge of the mountainside. This was the famous Roman marble quarry, easily imaginable as it was on the day work last ended in the second century A.D.

Above the quarries was the first sign of an ancient *kalderimi*, which proved at higher altitude to be well preserved. The trail twisted over rock-studded fields of wild oregano, thyme and prickly shrubs. An hour and a half later, on a dirt road, the refuge — a long, low white building with steel-shuttered windows and door and a stone terrace — came into sight.

From where the refuge sat, the island rolled away to the Aegean, and above it Mount Ohi beckoned. Ohi derives its euphemistic name from the ancient

Greek verb *ohevo*, to ride, for it is on this peak that Zeus was said to have coupled with Hera. In the clear late-afternoon light, heading a shepherd's warning that in fog or cloud I wouldn't be able to see my hand in front of my face, I hiked the last steep hour to the summit. Just below it, I found the *drakospito*.

Don Keller, a research associate in archaeology at Boston University who has spent many of 20 summers in southern Evia, told me that the rock used to create the dragon house was quarried about 30 meters from the site. Its name comes from a local folk tale of a dragon that once lived there, and, scared off by a sheepdog, flew out through the roof. The structure has been dated as Hellenistic, and though there is disagreement about its use, offering cups for ritual worship have been excavated from under its cornerstones, suggesting that the site was probably dedicated to Hera.

Two massive blocks frame the doorway. The walls are built with carved stones laid flat on top of one another, and the massive roof blocks, which are now partly caved in, are an engineering wonder with no interior supports. The interior is cave-like — there are no carvings or decorations to reveal the mysteries of the dragon house.

In the distance a solitary figure approached, one of five Greek men and women who had hiked to the refuge to spend the night and trek the 10-kilometer-long Dhimosari gorge, about two hours by foot from the refuge. We climbed the last peak above the dragon house to a round stone turret.

A NIGHT AT THE REFUGE Then the Greek hiker and I returned to the refuge, where we joined the others for a dinner of cheese and pasta with canned squid, cooked on a stove in the small kitchen.

The refuge, with its white stucco walls, has a roomy sleeping and dining area. There is a long dining table and benches, and beds to accommodate 10 people below the loft, which can comfortably sleep another four. Though there is little privacy, there are two bathrooms, one with a cold shower, and a kitchen.

I left at dawn the next morning. Below the last ascent to the dragon house I followed the sign pointing to Kallianos and rounded the summit. Farther on, the trail divided and I lost the markings and backtracked, deciding to wait for the others. When I greeted them with the topographical map, they ignored it and plunged down the western side of the summit, which was nothing but scree. After a long, tough descent, we reached a bouldered ravine and stumbled across a dirt road.

Two hundred meters later, a clearly marked trail veered off the road, and I followed it, trekking on ahead of the group. It led steeply downward, and in an hour I met the first waters of the gorge, the Dhimosari River, and crossed a bridge, after which the footpath became a *kalderimi*.

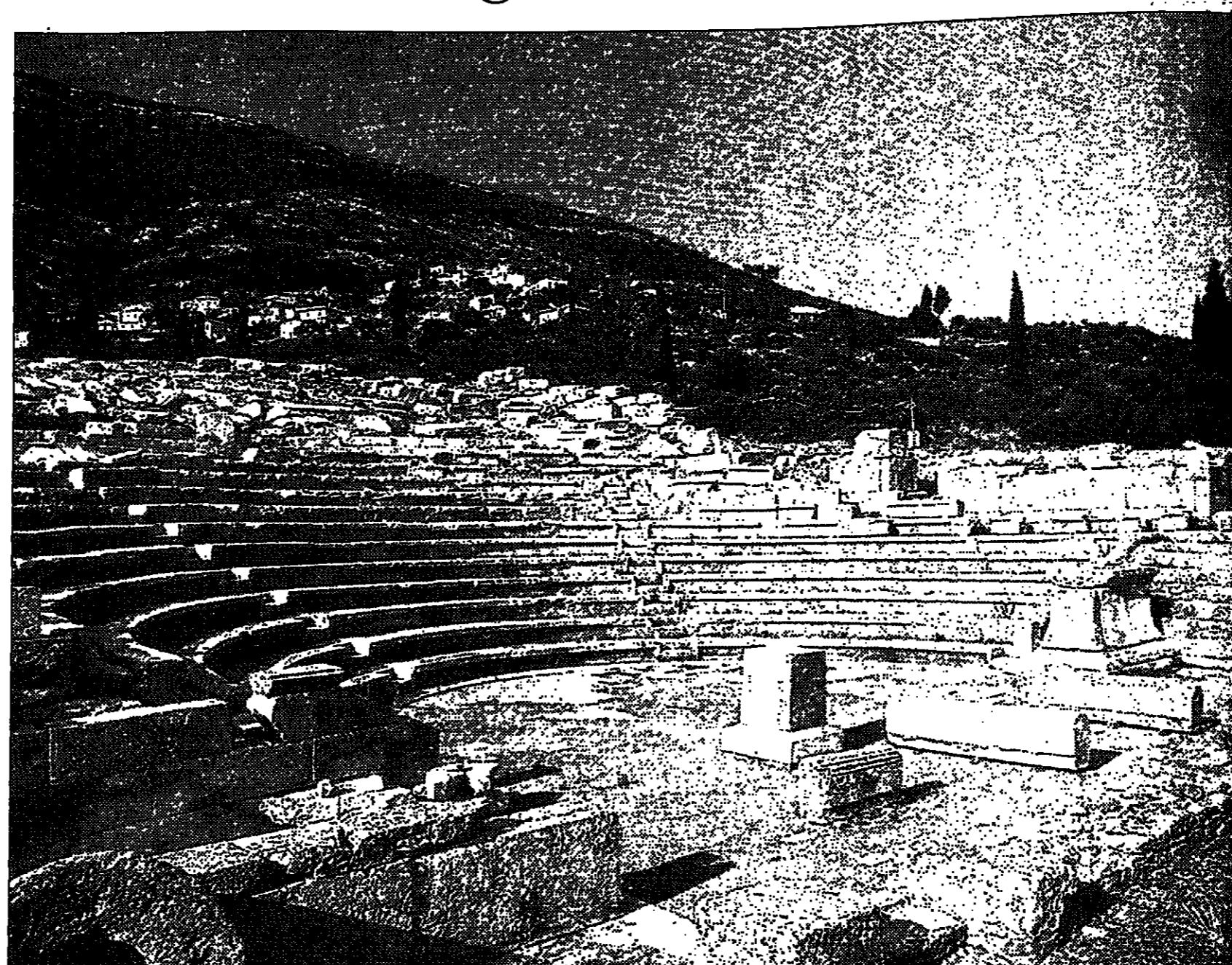
This *kalderimi* was once the lifeline of the gorge. Now it connects only abandoned villages. Chestnut trees grow in abundance, as do giant ferns, which serve to shade the path with their three-meter fronds. From the bridge to Lomisei, the first inhabited village in the gorge, there was not a soul to be seen.

An hour later I stumbled into Kallianos, less a village than a random assembly of houses perched on the hillside above the river. By the time I saw the sign for the Taverna Klimataria, it was almost four o'clock in the afternoon.

The Taverna Klimataria is a family house with a large balcony restaurant; above it a grape arbor shields five rooms for rent. From it you can see the gorge and the sea, a 20-minute walk away. The rooms are simple, with concrete floors and army cots. I took a room for \$10.70, and sprawled across the bed, listening to the voices of the Greek trekkers below as they arrived. Two hours later, they left in a taxi.

I returned to my room after good-byes, thinking with some reluctance that the next day I, too, would return to Karystos.

Melanie Wallace, who has lived in Greece and visits it often, wrote this for The New York Times.



The amphitheater of Messene, a Hellenistic city built in the fourth century B.C. to protect the region from Spartan attacks.

Wilds of Messenia Conjure Up Glorious Visions of Empires Past

By Sherry Marker

PYLOS, Greece — There is not much Greek countryside I'd call lush, but that's just the word for Messenia, the southern corner of the Peloponnese.

Messenia's sybaritic pleasures include juicy Kalamata olives and succulent figs and melon, as well as the Peloponnese's best sand beaches, many flanked by the small hotels and restaurants favored by savvy German and Italian travelers.

They also include the Mycenaean palace of Nestor at Pylos from the 13th century B.C., the Hellenistic city of Messene from the fourth century B.C. and Korone, the companion fortress to Methone.

Messenia, a six-hour drive southwest of Athens, has good roads, and distances between the sites are short. So it is perfectly possible to see all these sites in two vigorous or three leisurely days.

When I first visited Messenia 30 years ago, few of its seaside hamlets had even one hotel. Now they have become mini-resorts that cater a bit too wholeheartedly to tourists. For some time now, I have stayed in the harbor town of Pylos, which retains its character with arcaded shops and cafés surrounding the main square.

From Pylos, it is an 18-kilometer (11-mile) drive north to the Palace of Nestor, which Homer says was at "sandy Pylos." Nestor's palace straddles a low ridge called Aro Englianos, with a view back to the deep bays of the Pylos harbor, beyond hills shimmering with the silver leaves of some of the tallest olive trees in Greece. The main palace area is covered with an unabashedly ugly metal roof that protects the site from the elements; it also helps visitors envision the dimensions of the original two-story building from its low remains.

Unlike the compact palaces at Mycenae and Tiryns, Nestor's palace sprawls like a country villa across its unfortified site. It is easy to imagine the day Homer describes when young Telemachus arrived seeking news of his absent father, Odysseus, still not home from the Trojan War.

Accustomed to his father's more provincial island home in Ithaca, Telemachus must have been dazzled by the frescoed walls showing griffins and lions, fragments of which are now in the Archaeological Museum at Chora, about a mile from the palace. Even though many archeologists question the accuracy of these heavily restored frescoes (re-created, some would say), I always stop at the museum to see them and to admire the delicate gold cups and jewelry and the enormous pottery jars.

When Telemachus came here, probably he and Nestor would have sat in the Megaron (Throne Room), toasting each other with cups of the local wine beside the raised round hearth. In fact, so many cups have been found in the palace — 2,853 in one room alone — that archeologists have speculated that the cups were smashed after each toast.

In the archives just to the left of the main entrance, scribes writing on unbaked clay tablets updated palace inventories, listing the hundreds of jars of herb-scented olive oil and kraters of honey wine, some of which are still visible in the palace storerooms. When the palace burned to the ground around 1200 B.C. (no one knows why), the intense heat baked the tablets, which lay buried until April 4, 1939, when the American archeologist Carl Blegen began to excavate here on the suspicion that Nestor's palace might be in the neighborhood.

INTO THE HILLS From Nestor's palace, head away from the sea, deeper into the Messenian hills, to the fourth century B.C. site of Messene at the foot of Mount Ithome. The countryside is so startlingly lush that I find myself day-

dreaming, until I come around a bend in the road and see Messene's gray limestone defense walls, several stretches still standing more than 4.5 meters (15 feet) tall, running for more than nine kilometers along a ridge above the remains of the ancient city.

Most travelers to Greece soon become familiar with the experience of arriving at a famous temple, fortress or entire city and trying to conjure up ancient glories from ankle-high remains. Even Nestor's Pylos, were it not for Homer and the tablets, would be very hard to imagine. Not so at Messene, where you can clamber about in several of the defense circuit's 30 original square or semicircular watchtowers and stride through the monumental five-meter-wide Arcadian Gate, with its 20-meter interior courtyard.

As for the ancient city itself, the Asclepeion (a shrine to the healing deity Asclepius) is so enormous that excavators originally thought this one shrine must be the entire market place and civic center.

AFTER lunch I headed off to take in another: even better view. Thanks to a new dirt track, it is arguably possible to creep and lurk almost all the way up Mount Ithome by car, then scramble up the last few yards. From the summit, with its deserted 16th-century whitewashed stone Monastery of Vourkano, there is an astonishing 360-degree view of all Messenia, dotted with villages amid olive groves, and of Taygetus, the jagged range that separates Messenia from Lakonia, the district to the east.

The scene atop Mount Ithome is so peaceful that it's easy to forget the centuries of warfare for the rich land below. The Laconian Spartans were Messenia's greatest enemies, and Messene itself was founded and fortified in 369 B.C. in one of a series of attempts to protect Messenia from Spartan attacks.

The contrast between today's pictureque ruins and yesterday's bloody battlegrounds is particularly stark at the two medieval fortresses once known as Venie's "twin eyes of empire," Korone, on the Gulf of Messenia, and Methone, on the Ionian sea. During the cen-

turies that Venice contested the Franks and Turks for control of the Mediterranean routes, Methone and Korone were vital outposts in an empire stretching from Venice to Constantinople, the Holy Land and the spice routes to the east.

In those days, the towns of Methone and Korone crouched inside their fortifications. Now a small village, Korone, its narrow streets crowded with tile-roofed houses that have delicate wrought-iron balconies, spills down the steep hill that is girdled by the fortress walls. At the foot of the hill, tavernas and cafés line the harbor where merchant ships once anchored and fishing boats now bob. Today's inhabitants of Korone, perhaps following an ancestral instinct to confuse potential invaders, have fiendishly reversed several road signs, so that arrows point down to the fortress and up to the harbor.

Unlike Korone, whose steep hill is a natural fortress, the castle of Methone stretches the length of a 300-meter-long low peninsula. Not surprisingly, Methone has a complex system of walls within walls, some linked by underground passages, many crowned by crenellated walls and turrets, all designed to make this very vulnerable knoll invulnerable.

Inside Methone, carved lions of St. Mark watch over the ruins of a Turkish bath and mosque. There are even a few concrete pillboxes left from the Italian and German occupation of World War II, when Methone's strategic location overlooking the sea routes across the Mediterranean made it worth fighting for again.

This is a bleak spot, with none of the charms of Korone's rose garden, convent and harbor. Still, the views out over the sea both from the fortress and from the fine sand beach, especially at sunset, are tremendous. And, for me, sunset is a sure sign that it is time to head to the Klimataria restaurant in Methone, for some of the lightly resinated rose wine that people have been drinking in Messenia at least since Telemachus and Nestor toasted each other.

Sherry Marker, who travels frequently in Greece, wrote this for The New York Times.

THE CAR COLUMN

Skoda Shakes Off Its Communist Veneer

By Gavin Green

CAR makers are now so obsessed by style and sex appeal that one wonders if they really care about the things that matter.

New car shapes are invariably sleek and aerodynamic. That they usually provide insufficient rear headroom for tall men is apparently of no importance. Car advertisements are all about image and sex appeal.

Yet, at the end of the day, a car is an appliance, which should be conceived as an object of utility rather than one of fashion. Ironically, the most utilitarian cars invariably become the most genuinely fashionable, such as the Citroen 2CV and the Mini — striking examples of great form following great function, not the other way around.

Even Volvo, longtime champion of the sensible shoes approach to motoring, is being corrupted. Its new big car, the S80, does not have a station wagon

version despite the huge sales of the wagon version of its predecessor, the 940. Instead, Volvo sells a smaller turbocharged wagon with a racing car-like wing on the back. A wagon that puts performance and style over carrying capacity? Go figure it.

Into the spot curiously vacated by Volvo rides Skoda. Skodas are not pre-tentious cars — for the simple reason that their poor reputation, at least in Western Europe, rules out any attempt at vanity. Yet Skoda, in the shape of its new Octavia, now probably makes the most logical, sensible, rational cars in Europe. They are reliable, comfortable, well made and cheap.

Reputation always lags reality, and the reality now is that Skoda — owned and managed by Volkswagen since 1991 — makes cars as well as anyone else in Europe. Yet the "brand name from hell" as one British marketing magazine termed it, is still lumbered with all the crude, old, low-tech Communist connotations.

The Octavia is the first of the Volkswagen-based Skodas and it is, of course, all the better for that. Whereas the smaller, commendable Felicia is a gawky old-school Skoda now built to VW standards, the Octavia is the full Cecil B. De Mille Volkswagen production.

A VW ON THE INSIDE It uses a Volkswagen floor pan and suspension (both from the latest Golf), Volkswagen engines, Volkswagen transmissions, Volkswagen electronics and Volkswagen just-about-everything else. It is a Skoda in name, and a Skoda in country of assembly, only. The former is the reason why Volkswagen can't premium price it. The latter is the reason why VW can afford not to premium price it. Labor rates in Czech Skoda factories are one-eighth what they are in German VW plants.

The ride and handling are fine, even if there is a Golf-like heavy-footedness about its behavior compared with more



nimble French hatchbacks. The trunk is huge, although the back seat is tighter than the class norm — an upshot of using the floor pan and wheelbase of the comparatively small Golf in a car that, from stem to stern, is handsomely larger than the Golf. You can now buy an even bigger trunk, by buying one of the new Octavia Combi — the wagon version. The carrying capacity, in this guise, is extremely large and yet the wagon drives very nearly as well as the normal Octavia hatchback.

About the only other downside is the crummy plastics quality — the only throwback to old school Skodas. These are about to be upgraded.

The Octavia, next month, gets the soft touch, classy-looking "slush" molded dash technique, as used on the Golf and Passat.

It instantly vaults the cabin quality of the Octavia ahead of all major non-VW rivals. And it provides another compelling reason why, if you value logic over emotion, the Octavia is currently the best buy in the mid-sized hatchback market.

• Skoda Octavia. About \$18,000. Five-door hatchback and wagon. Four-cylinder turbo-diesel engine, 1896cc. 90 bhp at 4000 rpm. Gas engines also available. Five-speed manual transmission. front-wheel drive. Maximum speed: 175 kph (110 mph). Acceleration: 0-100 kph in 13.5 seconds. Average fuel consumption: 5.1 liters/100km.

Next: the Volvo C70 coupe

Gavin Green is the editor in chief of Car magazine.

Traveler

End to Currency Hassles For Travelers in Europe

The Euro Will Make Shopping Easier

By Edmund L. Andrews
New York Times Service

FRANKFURT — Here is a pop quiz for bargain-hunters traveling in Europe. A pair of leather loafers from J.P. Tod's costs about 308,000 lire in Rome, 26,500 pesetas in Madrid and 400 marks here in Frankfurt.

What are the shoes cheapest?

The answer requires a calculator, a list of exchange rates and a lot of tenacity. But there is a big difference: At \$1.76 in Rome, the shoes are about \$50 cheaper than in Frankfurt.

That difference marks just one illustration of how the introduction of a single European currency, the euro, should eventually have a big impact on travelers. In a historic agreement this month, leaders from 11 European nations led by France and Germany agreed to launch the euro as a common currency on Jan. 1 and to abandon the cacophony of marks, francs, guilders and pesetas in 2002.

For travelers, the most tangible changes will not take place until the new bills and coins actually enter circulation three years from the debut of the currency, and the old ones cease to be valid. Until then, the euro will exist only in electronic transactions. Many companies are not planning to even post prices in euros for at least another year or two.

Nevertheless, the euro's impact could become significant well before the new bills and coins arrive. Euros will be usable in credit card and bank transactions from day one. Many hotels, airlines and train companies plan to post prices and accept payments in euros as well as local currencies almost immediately. Stores, restaurants and places of entertainment are expected to convert their systems more gradually.

There shouldn't be any price advantage in using euros rather than a local currency. But as more prices are quoted in euros, comparison shopping between countries should become easier.

Over time, travel experts say, there is likely to be a significant impact on prices themselves. That could be particularly true for tour packages that combine airfare and lodging, where international competition is already intense.

"I am sure that travel as a whole will become cheaper, particularly with regard to holiday packages," said Gerd Hessemann, president of the German Association of Travel Agencies here. "Travel agencies that offer packages will have lower cost and more



competition due to the euro, and that will make their products cheaper."

Many big hotel companies are planning a rapid adoption of euro-based prices. Bass Hotels and Resorts, which operates 237 hotels around Europe, including those under the Intercontinental and Holiday Inn names, expects to start quoting prices in euros by June of 1999.

"For us, this is being driven by consumers and by corporate clients," said Luce Boegmans, a spokesman for Bass. He predicted that international travelers will increasingly prefer to pay their bills in euros instead of local currencies, particularly as big corporations convert their own accounting systems to the euro. For travelers, the most concrete changes will come with the debut of the actual coins and bills. Under the schedule established by the European Union, the new money will begin to circulate on Jan. 1, 2002, and the old currencies will cease to be valid on July 1, 2002.

For now, countries that have pledged to adopt the euro are Germany, France, Italy, Belgium, the Netherlands, Luxembourg, Spain, Portugal, Ireland, Austria and Finland. Britain, Sweden and Denmark are staying out of the currency union at least for the next few years, though they are members of the EU and meet the financial requirements for participating.

Europe, also a member of the union, failed to meet the financial requirements but hopes to in another year or two.

THE abolition of 11 separate currencies will save travelers both money and aggravation. For travelers who change dollars to marks, and then marks to francs, currency transactions can eat up 10 percent of the money being changed. That is because of the huge spread between the relatively high price at which dealers will sell a currency and the relatively low price at which they will buy it back.

This spread, which is not obvious to many travelers, comes on top of the normal fees of several dollars that dealers charge for every transaction.

Costs aside, the headaches of dashing through currency zones can be enormous. A French franc is worth about 17 cents, while a Belgian franc is worth only 2 cents, meaning that after the two-hour train ride from Paris to Brussels, the price of a modest lunch changes from 100 French francs to 615 Belgian francs.

What would the price be in euros? We won't know until January.

BOOKS

REMEMBERING MR. SHAWN'S NEW YORKER: The Invisible Art of Editing
By Ved Mehta. Illustrated. 414 pages. \$29.95. Overlook Press.

Reviewed by Christopher Lehmann-Haupt

CONTRADICTORY feelings well up as you read Ved Mehta's new memoir, "Remembering Mr. Shaw's New Yorker: The Invisible Art of Editing."

On one side you feel a nostalgia tinged with envy for the old New Yorker magazine and its system of editing that, thanks to William Shaw (1907-1992), saw the nurturing of writers as its ultimate mission.

On the other side, with the advantage of hindsight, you feel an edge of irritation at Mehta for failing to anticipate the forces that would inevitably obliterate this world.

Mehta's narrative serves to intensify both reactions. To show what a supportive environment The New Yorker once was, he uses himself as a test case, and a more fragile canary would be hard to imagine.

Twice removed from his native India by way of Oxford and Harvard, an academic aspiring to practice popular journalism, blind since the age of 4, he would seem to have been an odd fit even among an assortment of people like A.J. Liebling, Joseph Mitchell and Lillian Ross, all of whom became his good friends.

Still, he was welcomed by the editor in chief, "Mr. Shaw" — to people at The New Yorker, the Mr. was like the Lord in Lord Jim, the author writes — who seems to have made Mehta feel as if he were the first and only writer ever to work for the magazine. "His kindness and generosity," Mehta writes, "made me believe that I was not losing myself to him but, that I was discovering my true self — that, father, discovering my true self — that,

for once, I was, as it were, speaking not in an Indian-American voice or an English voice but in my own."

Yet all the sensitivity of their relations, Mehta recounts them with humor, tough-mindedness and a willingness to make light of himself. He portrays many of the vivid characters at The New Yorker, which he calls "in some respects a happy place" but "such a cauldron of neurosis and frustration that even when people agitated for change they didn't like it when it came."

If he is not as comprehensive as Brendan Gill was in "Here at The New Yorker," he sheds far more light on what the magazine was like to work at.

The only flaw in his praise of Shaw is an apparent loss of perspective that leads him to spend far too much space filling in his subject's family background, the most notable details of which are that Shaw's father was an assimilationist Jew who peddled jackknives for a living and that one of his father's brothers helped write the advertising jingle "Double your pleasure, double your fun" for Wrigley's chewing gum.

Perhaps this loss of perspective accounts for why Mehta has such difficulty describing the demise of the old New Yorker objectively. He succeeds in isolating the main causes clearly enough: first, the aging of Peter Fleischmann, who had succeeded his father, Raoul, as publisher in 1969, at the age of 47, when his father died, and who owned the controlling shares of the magazine; and second, the need for Shaw to find his successor as the leader of an operation that had come to depend too overwhelmingly on him alone.

It was Fleischmann's aging that led to the magazine's eventually being sold to S.I. Newhouse Jr. in 1985, and it was Shaw's failure to appoint his successor that led Newhouse to replace him with Robert Gottlieb two years later.

FEAR AND LOATHING IN LAS VEGAS

Directed by Terry Gilliam. U.S.

In the teeming lobby of a Las Vegas hotel, the face of a woman behind the reservations desk warps, her features spilling across her face like a clown mask. As the camera pans around the plush, dimly lighted room crowded with hard-shelled tourists sipping cocktails, they suddenly turn into a sinister convention of lizards smacking their lipless mouths and casting conspiratorial glances. Conversations decompose into animalistic growls while the bland piped-in voice of Robert Goulet singing "My Love Forgive Me" remains eerily unaltered. This scene, drawn from one of many uproarious tableaux in "Fear and Loathing in Las Vegas," Hunter S. Thompson's brilliant, ranting explosion of verbal psychedelia, has been transferred to the screen by Terry Gilliam with a fidelity to the author's hallucinatory imagery that until now seemed impossible to capture in a film. But here it is in all its splendidly fun-house terror: the closest sensory approximation of an acid trip ever achieved by a mainstream movie and the latest example of Gilliam's visual bravado. Why then should this gaudy splat of a movie, which is so scrupulously respectful of its source, convey so little visceral energy that when it's over you may feel like shrugging your shoulders? The story of how Raoul (Johnny Depp) and his sidekick (Benicio Del Toro) travel to Las Vegas to cover a motorcycle

race for Sports Illustrated and get phantom magically side-tracked has been so rigidly compressed that its vignettes all bleed together into an overstuffed cinematic hodge-podge that adds up to far less than the sum of its parts. Yes, the details are accurate. But where the book conveyed a spirit of open-ended adventure in which each new chapter could be spun out into its own little movie, the film really has no attitude at all and rarely gives the book's appallingly funny anecdotes room to breathe.

(Stephen Holden, NYT)

MOVIE GUIDE



L.L. Cool J., left, and Tommy Davidson in "Woo."

coherent romantic comedy whose sexy title character (Smith) is an unbearable, unfunny pain in the neck. Fixed up on a blind date with a handsome but nerdish legal secretary named Tim (Tommy Davidson), Woo is a nasty teasing bundle of free-floating hostility who uses sex as a weapon and gleefully humiliates her date just for the fun of it. Woo has agreed to go out with Tim because her gender-bending astrologer, Celestial (Girilena), has told her that tonight is the night she will meet her true love. Dressed to kill, Woo immediately accuses Tim of being interested in only one thing. When he dutifully agrees to treat her as a sister instead of a potential conquest, she aggressively seduces him only to lash out at him the moment his pants are down. At the fancy Italian restaurant to which he invites her, Woo ostentatiously speaks Italian to the waiter and disrupts the atmosphere by screaming hysterically out the window at a friend. After loudly complaining about the seating, she rags on a rope that pulls down a chandelier whose lit candles set the place on fire. The pair go on to experience a hellish evening of party-going, brawling and car theft, at the end of which Woo finally lowers her defenses and begins to act like a human being. "Woo" wants to be a wacky, witty urban farce, but it's so scatterbrained that one scene barely connects to another, and its jokes are dead on arrival. Unfortunately, this is a sour, in-apt little comedy.

(Stephen Holden, NYT)

QUEST FOR CAMELOT

Directed by Frederic Du Chau. U.S.

The first feature-length, fully animated film from the Warner Bros. studio is a quasi-feminist Arthurian adventure about a young woman who wants to become a knight of the Round Table. It is also, unfortunately, a derivative rip-off. Here's just a partial list of the films that it blatantly steals from (excuse me, pays homage to): "Star Wars," not just by the "sampling" of its musical theme but by imitating the visual composition of certain scenes; "Apollo 13" and the "Dirty Harry" series, in plays on the catch phrases "Houston, we've got a problem" and "Feel lucky, punk?"; "The Rocky Horror Picture Show," in the look of "Quest's" arch-villain Sir Ruber (voiced by Gary Oldman), who resembles a pumped-up version of Riff Raff from the cult classic, and "Aladdin," whose motord-

mouthed, pop culture-riffing Genie (Robin Williams) is here replaced by Devon Cornwall, a two-headed dragon (Eric Idle and Don Rickles). Kids, of course, will care about none of that. What they might care about is the flat-footed humor and hard-to-follow plot. The thudding, vaguely Celtic synth-rock of the songs (by David Foster and Carole Bayer Sager) drowns out many of the lyrics, which would normally help to advance the story and illuminate character. And the sporadic jokes, such as they are, come across as geared more to adults than wee ones. Technically, the film has a murky look and a hollow sound — if you close your eyes you can practically see the studio booth that the voices were recorded in. And one scene, featuring an obviously computer-generated ogre, is utterly out of sync with the style of the rest of the traditional cel-animated work. These are all impertinent, grown-up quibbles. How it will go over with kids remains to be seen, but the success of Warner Bros.' calculated exploitation of previous money-makers can perhaps best be summed up by this assessment shouted out during a recent screening by one small reviewer: "Look, Mommy! Action figures!"

(Michael O'Sullivan, WP)

WOO

Directed by Daisy U.S. Moyer.

With her blazing smile and insolent swivel, Jada Pinkett Smith radiates as much crackling charisma per centimeter as any young Hollywood star. But the energy and sass that have spiced up movies like "The Nutty Professor" and "Set It Off" are recklessly squandered in "Woo," an in-

ARTS GUIDE



Roy Lichtenstein's 1978 "Stepping Out," in Basel.

hol's life and work. The exhibition features paintings, clothing, photographs and film, as well as creations by other artists and designers such as Jean-Michel Basquiat, David Bailey and Gianni Versace.

European Academy & Accademia Italiana, tel: (171) 235-03-03.

open daily. To June 7: "The Treasures of Hera: Greek Antiquities Discovered in Southern Italy." Approximately 150 votive offerings dedicated to the goddess Hera. The objects, excavated in Calabria in 1987, can be dated from 700 to 500 B.C.

Tate Gallery, tel: (171) 887-8000.

open daily. To Sept. 20: "Warhol and Beuys: Loans from the Froehlich Collection." Focuses on the work of Andy Warhol and Joseph Beuys, rethought the relationship between the artist and society. Beuys (1921-1986) often used found objects and ordinary materials to emphasize the connection between art and life; Warhol (1928-1987) drew on advertising and press iconography to reflect the tensions in American society.

FRANCE

PARIS

Musee du Louvre, tel: 01-40-21-51-51, closed Tuesdays. To June 29: "Francesco Saverio ou la Bella Maniera." Paintings, miniatures, frescoes that are interpretations of bella maniera, or the affection of style, by the Florentine Mannerist (1510-1563).

Tate Gallery, tel: (171) 887-8000.

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U.S. Grows At Annual 4.8% Rate

But Inventories Mount, Reflecting Asian Imports

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. economy grew at a 4.8 percent annual rate in the first quarter, a faster pace than previously estimated, as inventories piled up at a record rate, in part reflecting the availability of cheap imports from Asia.

Exports and corporate profits weakened, pointing to slower growth down the road.

The seasonally adjusted first-quarter increase in the gross domestic product — the total value of all goods and services produced within U.S. borders — was even better than last month's advance estimate of a 4.2 percent rate, the Commerce Department said Thursday.

Separately, the department said orders to factories for big-ticket durable goods shot up 2.6 percent in April, the biggest gain in five months.

Civilian aircraft orders surged 41 percent and orders for military goods — mostly aircraft — jumped 52 percent. Excluding those two volatile sectors, orders slipped 0.2 percent.

Also, the Labor Department said the number of applications for unemployment benefits declined by 2,000 last week to 312,000, a level signaling strong demand for labor.

The chief reason for the GDP revision was a record increase in the inventories of unsold goods held on shelves and backlog. Without it, the economy would have grown at a 3.4 percent rate during the quarter, robust but not torrid.

The inventory increase could be a sign of trouble for the current quarter and beyond, particularly if consumer spending moderates from the first quarter's red-hot 6.1 percent rate, the strongest in six years, and imports of foreign goods continue their rapid advance. It would mean factories would need to cut production while inventories were sold off.

Though Asia's financial crisis helped boost the U.S. economy by bringing long-term interest rates down, it has hurt by damping U.S. exports to the region and encouraging a flood of cheap Asian imports.

(Bloomberg, AP)



Thousands of clients of Bank Central Asia in Jakarta lining up on Thursday to withdraw their savings.

Jakarta Bank's Saga Signals System's Woes

Government Takes Over Embattled BCA

By Michael Richardson
International Herald Tribune

JAKARTA — Even before Indonesian authorities announced Thursday that they were assuming control of Bank Central Asia, Budi Kosasih had decided that he could not risk leaving his money there any longer.

As the run on the large private bank entered its eleventh day, Mr. Kosasih, who owns a small travel agency, joined the crowd of panicky customers trying to withdraw their business capital or personal savings from its headquarters.

Until recently, the gleaming office tower on Jakarta's main thoroughfare, Sudirman Road, had seemed to be a rock-solid symbol of wealth and power in Indonesia.

But now that symbolism has been turned on its head and, like many other icons of wealth in Indonesia's capital, the bank now stands as a mark of the nation's vulnerability and of a banking system that Moody's Investors Service Inc. this week called "broadly insolvent."

The troubles of Bank Central Asia, known by its initials as BCA, reflect a deeper problem in the world's fourth most populous nation, analysts say: a crisis of confidence in existing institutions that threatens to undermine the whole financial system.

BCA, one of the country's largest private banks, is 30 percent owned by two of former President Suharto's children. The rest of its equity is held by the Salim Group, which is controlled by Liem Sioe Liong, an ethnic Chinese Indonesian who is one of Mr. Suharto's oldest friends and business partners.

The Salim Group's vast network of food, cement, trading, transport and financial-services companies grew and prospered under Mr. Suharto's 32-year rule, making Mr. Liem the richest businessman and biggest taxpayer in Indonesia.

Now that Mr. Suharto has been forced out of office, and the administration of his successor, President B.J. Habibie, says it is cracking down on those alleged to have benefited from the nepotism and close ties between government and big business under the old order, many Indonesians like Mr. Kosasih are fearful that BCA could be forced out of business.

Sjahnil Sabirin, governor of Bank Indonesia, the country's central bank, said Wednesday night on national television that BCA would not collapse. He added that the central bank, which had been providing credit, would continue to stand behind BCA.

"Despite what the government says, people are worried the bank will be liquidated," Mr. Kosasih said as he waited in line in sweltering heat Thursday morning to withdraw 2.5 million rupiah (\$237 dollars), the daily allowable limit, from his business account.

In a further effort to shore up BCA in case its troubles spread more widely into the shaky financial system, Mr. Sabirin said Thursday night that the bank would be placed under the supervision of the Indonesian Bank Restructuring Agency. The agency was set up in January to rehabilitate weak banks and already has 44 of the country's 215 banks under its wing.

He said that BCA had been put into the agency's hands because it had borrowed more than 200 percent of its total capital from Bank Indonesia. Analysts estimate BCA's capital at between 2 and 3 trillion rupiah. Mr. Sabirin did not say how much money the bank had borrowed.

He said that two government-owned banks, PT Bank Rakyat Indonesia and PT Bank Negara Indonesia, will manage BCA's daily operations until a shareholders' meeting can be held to choose new management.

Mr. Sabirin added that the bank has 8 million customers and that the Salim Group has promised to increase its investment in the bank by 1 million rupiah within the next week.

The run on BCA started after mobs damaged many of its offices and automated teller machines in the wave of student-led protests, rioting and arson this month that eventually led to Mr. Suharto's resignation.

The mobs targeted Chinese homes and businesses, in the process tearing out the heart of Indonesia's goods distribution system and ensuring that wealthy Chinese investors will not put money back into the country unless they are sure that security and political stability have returned. That will not be

See BANKS, Page 17

MCI to Sell Internet Business to C&W

Bloomberg News

WASHINGTON — MCI Communications Corp. said Thursday it would sell its Internet network to Cable & Wireless PLC for \$625 million in cash, in an effort to win approval for WorldCom's \$41.8 billion purchase of MCI.

The No. 2 U.S. long-distance phone company said it was shedding operations that carry traffic for other companies that provide Internet services, including the routers and switches that direct Internet traffic.

MCI's consumer and business customers will still get their Internet service from the company, although the traffic will be carried on Cable & Wireless's network.

Regulators have not said whether the sale will appease their concerns that MCI and WorldCom, the No. 4 U.S. long-distance phone company, might dominate the fast-growing global Internet market. Still, analysts and telecommunications lawyers predicted approval from U.S. and European authorities.

"This was the stumbling block," said Garrett Rasmussen, an antitrust lawyer in Washington. "If this can be overcome, it will get approved."

For Cable & Wireless, the purchase would put the British phone company in the major leagues of global Internet providers, the fastest-growing niche of the global telecommunications market.

Cable & Wireless said the sale would make it the fifth-largest U.S. company that provides the facilities to carry Internet traffic.

Shares of Cable & Wireless fell 7 pence to 675 pence (\$11) in London. WorldCom closed 93.75 cents higher at \$45.625 in New York, and MCI rose \$1.4025 to close at \$53.975.

WorldCom's purchase of MCI, the second-largest acquisition of a phone company ever proposed, needs approval from the European Commission, the U.S. Department of Justice, the Federal Communications Commission and some state regulators.

The European Commission, the executive agency of the European Union, the world's largest telecommunications market, must sell certain MCI Internet operations that overlap with WorldCom or WorldCom's UUNet global Internet business to assuage concern the combined companies would dominate the Internet market.

Stefan Rating, spokesman for the EU's competition commissioner, Karel Van Miert, said the commission declined to comment on whether the sale would enough for approval.

"This might help their case," Mr. Rating said.

GTE Corp., which lost its own bid to buy MCI and has been the most vocal critic of a combined WorldCom-MCI, said the agreement with Cable & Wireless would not end its opposition, saying MCI's Internet operations are much larger than what is being sold to Cable & Wireless.

"The merged company would easily be able to recreate the sold Internet infrastructure," said Peter Thonis, a spokesman at GTE. GTE will push ahead with its lawsuit, which seeks to block WorldCom's purchase of MCI.

Still, WorldCom and MCI said they expected the sale to reassure regulators.

"We believe the sale eliminates any overlap between the companies and clears any regulatory roadblocks to the merger," said Jim Monroe, an MCI spokesman. MCI and WorldCom expect to complete the sale this summer.

WALL STREET WATCH

Rivals Chip Away at Intel's Dominance

By Gretchen Morgenson
New York Times Service

NEW YORK — Immortal. Beloved. That's how investors see Intel Corp., the world's premier maker of microprocessors, the guts that run computers.

Even though the stock has fallen 21 percent from its February high, Intel has remained one of the most widely held and deeply loved stocks in America. For many investors, Intel is not just a stock, it is a religion.

This reverence is not without reason. Intel dominates the chip business: Its microprocessors power 85 percent to 90 percent of the world's computers.

The company, based in Santa Clara, California, has generated average annual earnings increases of 42 percent over the last five years. Its sales have risen 34 percent annually during that period to \$25 billion last year.

Profitability has also been immense: In 1997, net profit margins were almost 28 percent, compared with 13 percent for the semiconductor industry.

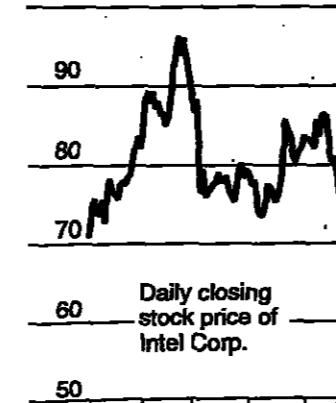
But Intel's industry dominance has attracted the scrutiny of the Federal Trade Commission, which is expected to vote Friday to move forward with an antitrust lawsuit a week or 10 days later.

At question is whether the company has abused its position as the monopoly producer of chips for personal computers and whether it has bullied some computer makers, according to lawyers familiar with the suit.

Losing Speed

Investor concerns about slowing sales and other problems have deflated Intel's stock recently.

\$100 a share



Source: Bloomberg Financial Markets NYT

The industry changes so fast that to be under any constraint about what the technology could migrate to would be a nightmare," said Scott Randall, who tracks semiconductor stocks and is a principal of Soundview Financial Group.

The job of steering Intel falls to Craig Barrett, who took over the chief executive's post from the longtime leader, Andrew Grove, last week.

Even without pressure from the Federal Trade Commission, Intel was facing much stronger headwinds than it had only two years ago. Circumstances beyond Intel's control — a sharp drop in demand for personal computers, turmoil in Asian economies, a sharp increase in competition from other chipmakers — pose serious threats to the company's hegemony and its shares.

"Intel has lost control of its market," said William Milton, semiconductor analyst at Brown Brothers Harriman & Co.

Adding to the anxiety surrounding the company: Some Intel insiders seem to be losing faith in their company's stock. During the last six months, insider selling has picked up.

Intel stock, which fell 81.25 cents Thursday to close at \$73.50, is well off its recent high of \$94.19. But at more than 23 times expected 1998 earnings of \$3.15 a share, the stock is not cheap, especially since revenue, flat for the company's technological advance-

ments.

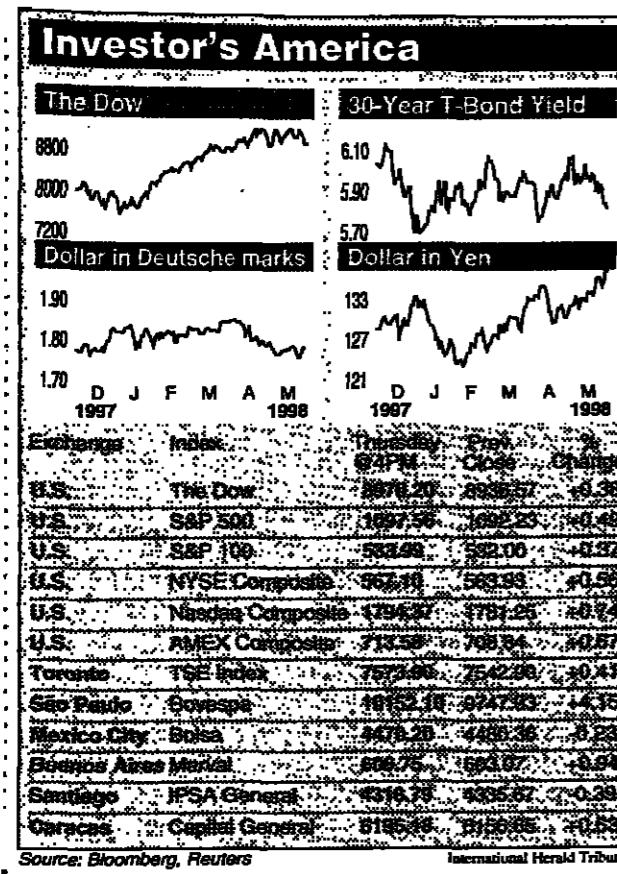
What impact would an antitrust action have on Intel's business? Not much initially. But over the longer term, being embroiled in a battle with the government could take its toll. Intel could suffer tremendously if the government's suit resulted in, say, guidelines on the company's technological advance-

ments.

See STOCK, Page 14

CURRENCY & INTER

THE AMERICAS



Asia Crisis Lifts Dollar Against Yen

Bridge News

NEW YORK — The dollar surged against the yen yesterday, buoyed by further signs of turbulence in Asian financial markets and the lack of central-bank intervention, traders said.

"There seems to be a general heightened level of uncertainty around the world," said Hillel Waxman, manager of foreign exchange at Bank Leumi Trust Co., who sold yen and Deutsche marks for dollars.

Benjamin Strauss, senior foreign exchange dealer at Bank Julius

Baer, concurred, adding that while the Bank of Japan did not seem to be engaging in "verbal intervention," or talking up the yen, "one always has to be vigilant."

The silence could be a precursor to intervention," he said.

The yen was further pummeled Thursday by nervousness in the wake of fresh rioting in Indonesia, the first since President Suharto resigned last week. The rupiah plunged nearly 9 percent, battered in part by market rumors of bank failures and coup plots.

Market worries about Japan's troubled banking system also continued to haunt the yen after Monday action by ratings agency Moody's Investors Service Inc. to downgrade five major Japanese banks and put four others on review.

The dollar was quoted at 4 P.M. at 138.75 yen in late trading, up from 137.37 yen on Wednesday.

The dollar slipped against the mark market worries about a further financial meltdown in Russia eased amid hopes the International Monetary Fund may soon come forward with needed aid for the country. The dollar was quoted at 1,7810 DM, down from 1,7835 DM on Wednesday.

The pound was weaker, battered by a report from the Confederation of British Industry showing that British manufacturers continue to be plagued by sterling's strength. The report showed that export orders have slumped to their lowest level since January 1983. The pound was quoted at \$1.6280, down from \$1.6310 on Wednesday.

Against other major currencies, the dollar was at 5.9710 French francs, compared to 5.9800 francs, and at 1,4545 Swiss francs, compared with 1,4735 francs.

(AP, Bloomberg)

Very briefly:

• America Online Inc. agreed to pay \$2.6 million to 44 U.S. states to settle allegations that the No. 1 on-line service misled consumers about fees and phone rates. The settlement averts a possible lawsuit.

• SBC Communications Inc.'s takeover of Southern New England Telecommunications Corp. came under attack as Attorney General Richard Blumenthal asked Connecticut regulators to block it, saying the companies had failed to specify whether and how customers' rates will be reduced.

• Eli Lilly & Co. will buy back up to \$2 billion worth of its stock. The drugmaker also said it expected per-share earnings to increase by 20 percent this year.

• Seagram Co. sold its remaining stake in Time Warner Inc. for more than \$900 million, ending ties forged before Seagram entered the entertainment business itself.

• Sega Enterprises Ltd.'s U.S. video-game unit said it would spend \$100 million in North America to promote its Dreamcast video-game console even though it is more than a year from release.

• Choice Hotels International Inc. is embarking on a \$100 million expansion effort in Latin America to serve business travelers who need moderately priced hotels that offer technological amenities.

Continued from Page 13

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(AP, Bloomberg)

Health-Plan Giants to Join Forces

Bloomberg News

MINNEAPOLIS — United HealthCare Corp. said Thursday it would buy Humana Inc. for about \$6.3 billion in stock and assumed debt, creating one of the largest American health-plan operators, with \$27 billion in revenue.

Humana shareholders will get one United Health share for every two shares they hold, valuing Humana at \$32.06 a share based on the Wednesday closing price, a 22 percent premium. United will also assume \$850 million in debt.

AMEX

Thursday's 4 P.M. Close

The 300 most traded stocks of the day, up to the closing on Wednesday.

The Associated Press

Stock Sales High Low Last Chg.

AMC 428 18.5 16.5 18.5 -1.7

AMER. B & P 695 25.5 25.5 25.5 -2.5

AMER. B & P 115 11.5 11.5 11.5 -1.5

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Traveled

Eurochocolate? Recipe Is Ready

Bloomberg News

AMSTERDAM — Dutch cocoa processors said Thursday they had dropped their objection to European Union proposals that would create a common standard for making chocolate across the \$42 billion European confectionery market.

The Spanish government reversed its position Wednesday and said it would back the proposal that would allow the use of up to 5 percent non-cocoa fats in chocolate.

The support of either nation will likely be enough to allow preliminary approval of the proposal to standardize chocolate recipes when negotiators meet Friday to discuss the 25-year-old dispute.

By James Gerstenzang
Los Angeles Times Service

WASHINGTON — The Clinton administration, acting at the behest of Mattel Inc. and other toy companies, is lobbying against European efforts to ban controversial chemical compounds from teething rings and other toys for young children.

With the European Union nearing a decision on whether to prohibit the sale of toys made with polyvinyl chloride, or PVC, the Commerce Department has instructed U.S. diplomats to try to turn around several such bans already in effect.

The toy companies are concerned about the potential ban because of the eventual negative impact it could have on their sales in the United States — as well as the immediate impact it could have on

their sales in Europe.

A decision by the 15-nation EU could come as early as next week.

At issue are compounds known as phthalates. They are softening components that provide a spongy, chewy feel when added to plastics. They also help plastics absorb the reds and yellows and other bright colors that children find appealing.

Among the compounds that would be banned is one that has been voluntarily left out of U.S. products for 13 years. But other compounds being targeted by the EU are key components of toys and other plastic products made and sold in the United States.

At least one Danish study has suggested that some phthalates, which are used not only in toys but in the strong plastic bags that contain intravenously delivered medica-

tions and blood, may cause cancer, disrupt endocrine function or weaken immune systems. Other studies have raised similar concerns and suggested they may also cause liver and kidney damage and disruptions in reproduction. But the studies were conducted only on animals, and it is unclear what impact, if any, the chemicals have on people.

David Miller, president of the Toy Manufacturers of America, which represents the makers and importers of 85 percent of the toys sold in the United States — 20 percent of which are made of vinyl — said no study has replicated the initial Danish study.

"The science is not in that direction," he said. "The science is on our side."

However, enough questions have been raised about one chemical, di-

ethylhexylphthalate, that manufacturers voluntarily took it out of the formula for the plastics used in children's toys in 1985, substituting another phthalate.

Charles Ludolph, a deputy assistant secretary of commerce responsible for European affairs, said the U.S. position is that "decisions on a threat to health should be based on objective, scientific evidence."

He said the administration wanted the Europeans to delay any decision until they can study a report that the U.S. Consumer Product Safety Commission is expected to complete next month on phthalates.

But Jeff Wise, policy director of the National Environmental Trust, a public education organization, said,

"There's always more science to do. There's enough science to indicate there is concern."

GE and Pratt Team Up for Airbus

Bloomberg News

TOULOUSE, France — Airbus Industrie said Thursday that General Electric Co. and Pratt & Whitney had agreed to join forces to supply an engine for the planemaker's proposed superjumbo plane, an unprecedented move for the two American rivals.

Airbus said GE and Pratt & Whitney had signed a preliminary agreement to offer a series of engines for its proposed A3XX aircraft, which would seat about 600 people. The engine would be the first to be jointly developed by the two competitors.

The agreement takes Airbus one step closer to manufacturing the plane, as it will be able to offer customers a choice of engines. Rolls-Royce PLC, the world's third major engine supplier, already agreed in 1996 to offer its Trent 900 engine for the plane, which Airbus is

counting on to help break Boeing Co.'s dominance on planes with more than 400 seats.

GE and Pratt & Whitney, a unit of United Technologies Corp., said that they would manage the engine project through a limited-liability company called Engine Alliance, which would be 50 percent owned by each.

"Both companies agree the only answer is to do this together," said a GE spokesman, Rick Kennedy.

Mr. Kennedy said both engine-makers believed they could jointly develop the product, to be known as the GP7200, for less than \$1 billion. The engine will cover the 67,000-pounds to 80,000-pounds thrust range.

Even though the A3XX will be substantially larger than any existing plane, it will not need thrust in the 75,000-pound to 100,000-pound range, as is required for Boeing's 777

model, because it has four engines. The 777 has two.

The two companies had looked once before at working together to build an engine for a larger version of the Boeing 747 plane, but the idea was dropped after Boeing abandoned the project.

The two have also talked about jointly developing an engine for a new, heavier version of the Boeing 777.

Airbus needs \$12 billion to develop the A3XX.

The company has said that its four partners — Aerospatiale of France, Daimler-Benz Aerospace AG of Germany, British Aerospace PLC and Construcciones Aeronauticas SA of Spain — will come up with 40 percent of the money from their own funds. It expects another one-third of the financing from government loans and the rest from risk-sharing partners.

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LOOKING UP — Henning Schulte-Noelle, chief executive of the German insurer Allianz AG, speaking Thursday in Munich. He projected 20 percent growth for the company in 1998.

Michael Dalke/Reuters

WORLD STOCK MARKETS

Thursday, May 28

Prices in local currencies.

Telekurs

High Low Close Prev.

Amsterdam AEX Index 1184.50

Previous: 1182.51

ABN-AMRO 50.40

50.30

Aero 150.40

150.50

Akzo 46.50

46.40

Akzo Nod 46.50

ASIA/PACIFIC

Japan Chipmakers Suffer From Low Prices

Reuters
TOKYO — The top five Japanese semiconductor makers reported dismal annual earnings Thursday as protracted weakness in memory chip prices and stumbling sales of personal computers and consumer electronics took their toll.

NEC Corp., Fujitsu Ltd., Hitachi Ltd., Toshiba Corp. and Mitsubishi Electric Corp. said rationalization measures, spending cuts and inventory cutbacks would help to lift their profits this year, but they added that the cloudy economic outlook remained a source of concern.

"We found the business environment in April and May to be very severe," the executive managing director of Hitachi, Yoshiaki Yagi, said. "It is very hard to predict business conditions for the second half."

Hitachi, Mitsubishi Electric and Toshiba were the biggest casualties of a recent slump in the price of dynamic random-access memory

chips, or DRAMs.

Hitachi and Toshiba both saw group net profit plunge about 90 percent in the year that ended in March.

Hitachi's profit fell to 3.48 billion yen (\$25.3 million), while Toshiba's slid to 3.34 billion yen.

Mitsubishi Electric announced a group net loss of 105.92 billion yen, the first loss in its postwar history.

The companies had increased their reliance on the volatile DRAM business as the profitability of their mainstay heavy electric machinery sector, which previously generated stable cash flows, declined in recent years.

Their consumer product businesses have been lackluster since the mid-1990s.

Some analysts said a quick recovery in the DRAM business was unlikely as the drop in prices of 64-megabit chips, the current main memory units for computers, was gathering speed.

"If the price decline continues at the current speed," said Yoshiharu Izumi of SBC Warburg Japan, "Hitachi, Mitsubishi and Toshiba will not be able to reduce losses in their chip divisions this year."

Toshiba has also borne the brunt of an upheaval in the U.S. notebook computer market as producers work through product transitions and wrenching inventory problems.

NEC, with its strong technical muscle in semiconductor production, managed to largely weather the severe DRAM slump with support from a strong nonmemory chip business, although group net profit fell 55 percent last year, to 41.30 billion yen.

NEC, the top Japanese maker of personal computers, said domestic PC sales fell 21 percent, despite its launch of a new series in October.

"It took a while for our new NX-series PCs to catch on in the market," a senior vice president, Shigeo Matsumoto, said.

NEC said it did not expect Microsoft Corp.'s launch of its Windows 98 operating software this year to do much to buoy PC sales, predicting sales of its personal computers would increase only 3 percent.

Fujitsu's net profit last year was affected by restructuring and goodwill costs associated with AMDahl Corp., the U.S. maker of mainframe computers that Fujitsu turned into a wholly owned subsidiary in September.

Fujitsu's group net profit dropped 88 percent to \$5.9 billion yen.

Except for Mitsubishi Electric, all the electronics producers said they expected sharp profit recoveries in the current year, saying the business climate would improve in the second half.

A possible increase in capital spending by telecommunications carriers this year was one bright sign, said Naoki Sato of HSBC Securities Japan Ltd.

U.S. Company Buys Korean Energy Entity

Compiled by Dan Siff, Staff Writer

SEOUL — Hanwha Energy Co. sold its power generation business Thursday to AES Corp. of the United States for \$874 million, the biggest foreign purchase this year of a South Korean entity.

AES will take over Hanwha Energy's production facilities in the western port of Inchon, including the staff, a Hanwha spokesman said.

AES, which is based in Arlington, Virginia, will inject \$370 million of cash into the South Korean business within two weeks and "potentially" assume \$270 million of debt, said Jeffrey Safford, vice president of AES China Generating Co.

AES will also invest about \$230 million in complete construction of an unfinished power plant.

The company is trying to profit from selling electricity to utilities and large factories as the power industry changes and monopolies on electric generation are ended in many countries, including the United States.

The sale will cut Hanwha Energy's 3.3 trillion won (\$2.34 billion) of debt by about a third, easing financial concerns at such affiliates as Hanwha Chemical Co. that have guaranteed a portion of that debt.

Hanwha Energy is one of the main subsidiaries of the chemical and refinery giant Hanwha Group, which was reduced to taking a \$285 million lifeline loan from creditors this year to stay afloat.

Hanwha welcomed the deal, saying it would greatly help the debt-ridden group stay afloat. "This sell-off is part of Hanwha Group's efforts to get back on its feet," a spokesman said.

But analysts warned that the money from AES would not be enough to repay the group's huge debt obligations, estimated at 7 trillion won. This includes 500 billion won owed by Hanwha Energy Plaza, the oil distribution outlet of Hanwha Energy.

"It is a good signal for the group to sell the power plant," a Daewoo Securities analyst said. "But the group's fate remains uncertain until it tackles the debt-ridden Hanwha Energy Plaza issue."

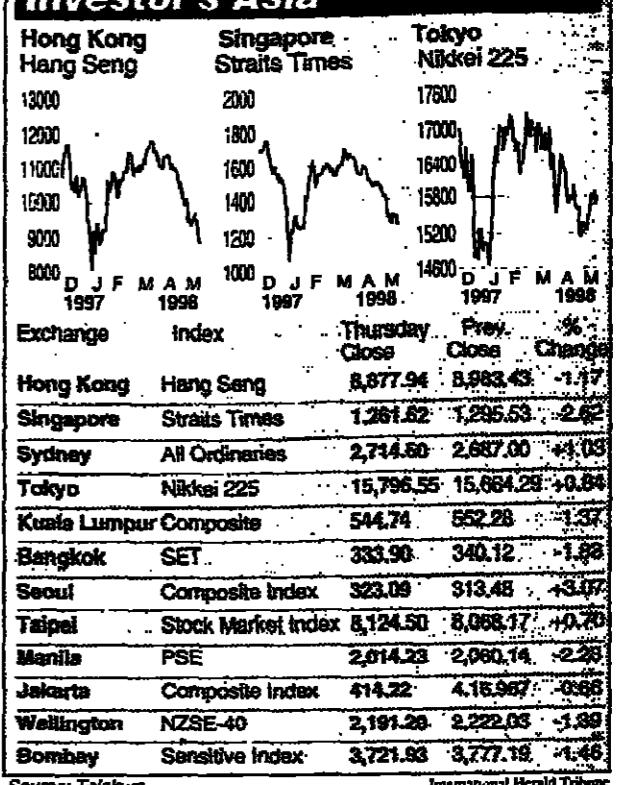
Hanwha Energy's share price

rose the 12 percent daily limit

Thursday before closing at 3,040

won, up 360, or 11.8 percent.

(AFP, Bloomberg)

Investor's Asia

Source: Telekurs

International Herald Tribune

NASDAQ

Thursday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

NYSE

Thursday's 4 P.M. Close
(Continued)

Advertisement

INTERNATIONAL FUNDS

May 28, 1998

available on Internet: <http://www.iht.com/IHT/FUN/funds.html>
Quotations supplied by fund groups to Micropal Paris, t: 33-1 40 28 09 00, e-mail: funds@micropal.fr
For information on how to list your fund, fax: Katy Houri at (33-1) 41 43 92 12 or E-mail : funds@iht.com

The list in the last table is the Master List of Fund Group to any extent. The list is not and shall not be deemed to be an exhaustive list.

INTERNATIONAL FRANCHISING

STRATEGIES FOR EXPANSION VARY

Foreign revenues are increasingly important.

Franchising, having long ago established itself as an essential part of the American landscape, is quickly becoming just as firmly entrenched abroad. The largest U.S. franchises have expanded beyond an increasingly mature local market as long as ago as the early 1970s, when French gastronomes railed at the sight of McDonald's invading the Champs Elysées. Today, French fast-food is no longer an oxymoron, and franchising has penetrated every developed country.

The main question remaining is not whether U.S. franchisers will market themselves abroad, but how. Faced with a saturated and highly competitive local market, many franchisers are making international markets their primary source of revenue — "the tail that wags the dog," as one put it.

Master franchises

Traditionally, franchisers have sold licenses for a master franchise in a single country or region to an individual investor or corporation. The licensee pays a royalty to the franchiser and makes money by granting franchises within that territory. The franchiser assists the licensee with personnel training, advertising, products and everything else needed to run the franchise; just as it does with its U.S. franchises.

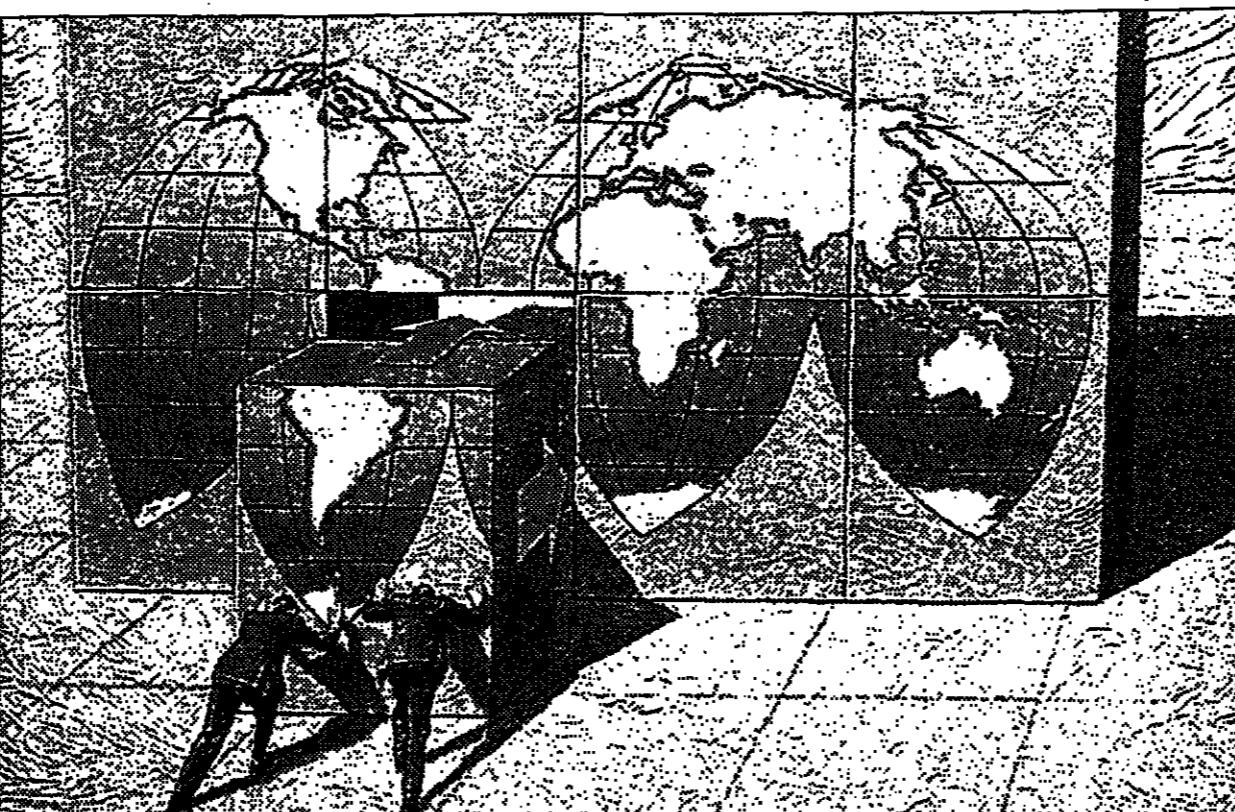
Partyland, for example, the largest retail party-supply franchise, has sold licenses in the United Kingdom, Portugal, South Africa, the Middle East and South Korea.

Ziebart International, an auto-accessories franchise, just began a co-venture with Autobox, a retail outlet for car parts and accessories with 400 outlets in Japan. Ziebart has already opened three outlets in Autobox stores — its first joint venture abroad. Mr. Zeidman says a mixture of joint ventures and master franchises is becoming increasingly common.

Joint ventures

Some U.S. franchisers are beginning to explore joint ventures. Mail Boxes Etc., which offers mailing services, has benefited from poor postal service in many countries; it has sold master licenses in 61 countries. Most recently, it entered into a joint venture with the Singapore Post Office and a private company.

Autobox, for example, the largest retail party-supply franchise, has sold licenses in the United Kingdom, Portugal, South Africa, the Middle East and South Korea.



Finding the right fit: In addition to master licenses, franchisers are developing their own operations and forming joint ventures abroad.

lets in Autobox stores — its first joint venture abroad. Mr. Zeidman says a mixture of joint ventures and master franchises is becoming increasingly common.

U.S. imports

As franchising becomes a truly universal concept, the flow has turned the other way, with overseas franchises turning toward the

U.S. market. The Wall Street Institute, which teaches English using computers and teachers, is based in Barcelona and is in 14 countries. Right now, it owns all of its franchises, although it has begun to sell master franchises. The first U.S. center opened in Miami. But the company's president, Ricardo Arevalo, plans to expand in the United States, with revenues

using the resources of Sylvan Learning Systems, a U.S. franchise that bought Wall Street a year ago.

Humana International is an executive-search firm based in the United Kingdom. American Doug Buge founded the franchise five years ago. At the time, there were several similar franchises in the United States, but few in other countries. With revenues

of \$35 million and franchises in 14 countries, Humana is growing at the rate of 40 offices a year. The multinational nature of business has fostered Humana's growth.

"We developed national networks linked through technology and people," Mr. Buge says. "Multinational need people in every country."

WITH CRISIS IN ASIA, ARE GROWTH MARKETS SHIFTING?

U.S. franchisers are taking lumps, but plan to hang in for the long-term, recognizing expansion potential in growing consumer markets.

As the crisis in Indonesia deepens, U.S.-based franchisers are attempting to minimize their losses in Asia. Asian currencies in free-fall are throwing the American companies that depend on royalty payments into a severe cash crunch.

Despite their problems, however, franchisers and consultants uniformly express the belief that the current financial crisis only represents a dip in an otherwise rising market. All have expressed the desire, not only to remain in Asia, but also to continue to expand there.

"It's a problem for everybody in the industry," says Rich Bisio, director of international development for AFC Enterprises, the parent company of Church's Chicken and Popeyes Chicken &

Subway. Describing a "double whammy" of hard-currency real estate contracts and a severely depressed consumer base, Mr. Bisio estimates that sales have decreased overall by a few percentage points due to the Asian crisis. Recently, AFC outlets have been forced to close temporarily in Indonesia.

Many master franchises are part of larger companies, Mr. Bisio points out. "In Asia many companies are tied together in ownership. So when one company goes down, it brings down others."

Non-U.S. franchisers are feeling the pinch, too. Like others, Doug Buge, the founder and head of British-based Humana International, has been stung by reduced exchange rates (franchisers are paid royalties in local currency). Humana, however, is already doing business in Singapore, is continuing expansion plans for Malaysia and, more surprisingly, Indonesia.

A&W, the venerable root beer franchise, has been in Asia for nearly 35 years. "The solid franchises have the wherewithal to weather the storm," says CEO Sidney Felsenstein, "whereas it's not a very good time for the marginal players."

"It's better in the long run," he adds. "When you have a crisis, you focus on what's good and end up stronger." Mr. Felsenstein sees the current crisis "as a bump in the road" in Asia's strong market.

Matthew Shay, the International Franchise Association's general counsel and

international expert, agrees: "Everyone involved in franchising and general business expansion has recognized that there's been some pretty significant changes in the market, but I don't think over the long term it diminishes the demographic for franchise growth and expansion." Mr. Shay points to the huge local consumer market, which, he says, remains largely untapped.

The Latin alternative

In the meantime, franchisers, eager to expand abroad, are looking to other emerging markets, particularly Latin America and, more surprisingly, Indonesia.

Despite the lack of discretionary income, the emerging democracies in Latin America have created a stable political climate — except in Columbia and in Cuba, which is off-limits to U.S. franchisers. In sharp contrast to Asia, local currencies have stabilized. The exception is Brazil, which has so many franchises that it is considered a mature market. Most franchises in Brazil, unlike those in other Third World nations, are domestically owned — 80 percent, according to lawyer Phil Zeidman.

Local conditions vary widely. Decent wages and relatively low unemployment have made Poland attractive, for example. Plagued by aging factories, Slovakia and many of the former Soviet republics, on the other hand, are not.

"But," says Mr. Shay

"when you get in on the ground floor, you have the greatest opportunities."

There's great opportunity to be taken advantage of in Eastern Europe right now."

forced them to reconsider. Many are now taking a second look.

"For the first time in a long time, you're beginning to hear about it," says Mr. Zeidman, who cites an "increasing Western orientation" in the region. As in Asia, strong family businesses, interpersonal relationships and local capital are making the region fertile territory for granting master licenses.

Longer-term potential

In the early 1990s, Eastern Europe looked to be the promised land. Years of communism had left a yawning gap between consumers and goods.

Today, the region inspires mostly yawns. "The market has potential," according to Mr. Shay. But it will take time to realize that potential. "Companies prefer the path of least resistance," he adds, "so they prefer markets where the opportunity is now."

Local conditions vary widely. Decent wages and relatively low unemployment have made Poland attractive, for example. Plagued by aging factories, Slovakia and many of the former Soviet republics, on the other hand, are not.

"But," says Mr. Shay

"when you get in on the ground floor, you have the greatest opportunities."

There's great opportunity to be taken advantage of in Eastern Europe right now."

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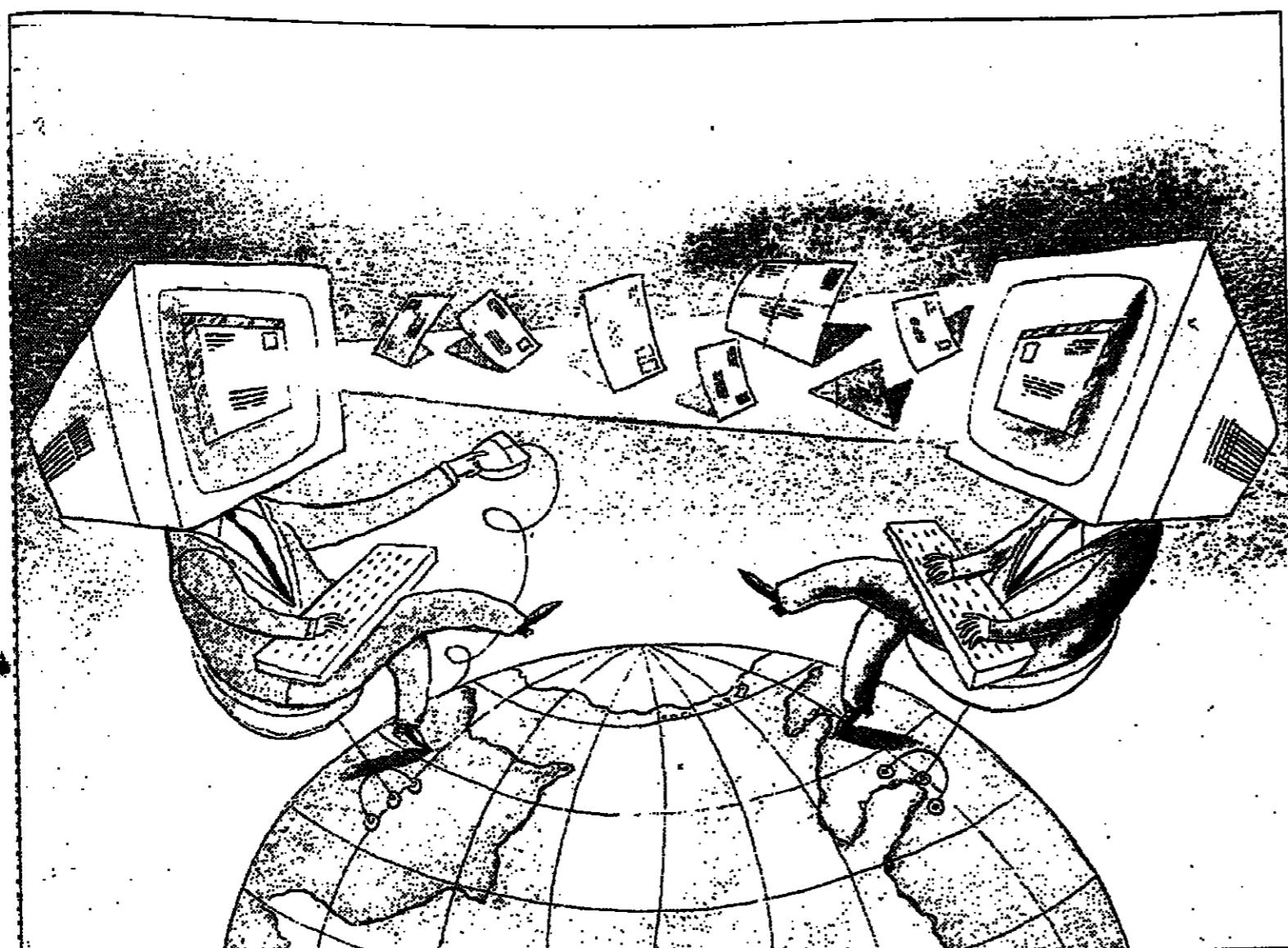
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INTERNATIONAL FRANCHISING



Franchisors are using the Internet to improve communications with and among franchisees and to reach new customers.

CLICK: FRANCHISEES HOOK UP TO INTRANETS

Sites offer support and deliver training or ad materials.

Franchises have discovered the Internet. The basic concept of a corporate Web site to present a company's product or service to the public remains important. But internal online networks, known as intranets, can play a crucial role in communication between the franchiser and franchisee, and among franchisees themselves.

When AFC Enterprises emerged from bankruptcy in 1992, one of the first actions of the new management was to institute a \$110-million agreement with IBM to build an Internet and intranet system. "We realized that if we were going to expand internationally, we were going to have to stay in touch with our franchise partners and our service people around the world," says CEO Frank Belotti. "We couldn't do that without a high-tech system."

Working together

Steamatic, a cleaning and restoration business, has set up a support intranet for franchisees only. It contains a chat room and a bulletin board where they can post messages concerning problems and questions other franchisees may be able to solve.

Franchisees can order supplies, download training manuals, file royalty reports, and review and download new advertising, allowing them to give the franchiser feedback about the efficacy of an upcoming ad campaign and to

submit print run estimates. "The bulletin board is the best feature," says Teri Hill, director of advertising of Steamatic. Only six months old, the site is unsecured, which means passwords are not necessary to access it.

Internal on-line networks, known as intranets, can play a crucial role in communication between the franchiser and franchisee, and among franchisees themselves

unlike most proprietary intranet sites. That will come, Ms. Hill says: "Our vision of this was: first, to get franchisees communicating with each other, because we're worldwide; second, to offer support features to make things a little easier for them."

Reaching customers

Given the growing importance of the Internet to the travel agency business, it is no surprise that Travel Network is working to make its Web site state-of-the-art.

Clients already have interactive booking capability; wherever they are, they can get price quotes and purchase a ticket, rent a car or book a

hotel room. The on-line computer program can even intercept "artificial intelligence" into the request, adding useful information such as whether flying a day earlier or staying over on Saturday would save money.

"Since we consider ourselves a boutique chain of full-service agencies, we bring the same philosophy to our Web site," said Travel Network's Stephanie Abrams. "Every reservation is quality controlled. We don't do the Web to cut down on people; our interest is in expanding the market."

To avoid the appearance of a conflict of interest, a separate company, Travel Network Online, was created. Ms. Abrams considers on-line customers as another, electronic, client base that is not in competition with the franchisees. Any franchisee who wants one is given a home page on the site, which is jointly owned by the franchiser and franchisees. Profits are split between franchisees and Travel Network Ltd.

The Web site is barely six months old, but already the Web site's customer department has doubled. So far this year, airline sales on-line have totaled \$3.5 million. "We haven't begun to market the site," Ms. Abrams adds.

Building for speed

The Web site for Mail Boxes Etc., on the other hand, has been active for nearly six

years. It serves a dual function: as an intranet communications center and as an added on-site service for customers. Its "MBE Blast" already allows the franchiser to send e-mails throughout the entire system.

A contract with Hughes Network Systems (expected soon) will greatly expand the internal e-mailing system. A satellite communications system will link all MBE stores together at 512 kilobytes per second — 10 times faster than a phone and four times faster than so-called high-speed ISDN lines.

There will be no dial-up at all: A click on an icon will immediately connect a franchisee to the main office. As at other sites, franchisees will

be able to purchase inventory and retail items. Local stores will also be able to connect their computers to a central workstation. The company's executive vice president, Tom Herskovitz, says: "The retail customer will be able to walk into an MBE store and access the Internet, get their e-mails and connect to their own companies," using the same ultra-high-speed connection.

The site is already beginning to host chat rooms. At a franchise meeting in Orlando, Florida, in August, workshops and training will show franchisees how they can use the site to communicate with each other as well as increase their stores' profits. •

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What Are the Rules?

Franchising has become an accepted part of the landscape in more and more countries. But just as in the United States, where the federal government and individual states are regulating the industry more closely, so too are official governing bodies abroad taking a hard look at franchise agreements and other rules of the

road.

Despite the fact that, as Mr. Zeidman says, no market is completely closed to franchising, several sets of barriers remain or are being constructed.

Beware of counterfeits

Franchises are affected by laws governing private enterprise in general. Mr. Zeidman cites the controversy over the lack of trademark and copyright protections in China. Journalists have mostly focused on how the lack of strict enforcement of these laws has affected the entertainment and fashion industries, but, in fact, any business is vulnerable to imitations that would not be acceptable elsewhere.

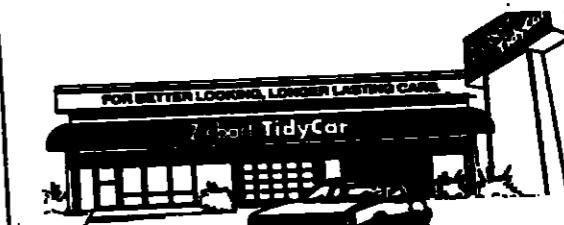
Many former members of the Soviet bloc still have trouble fostering the kind of entrepreneurial climate necessary to encourage individuals to sink their savings into a franchise.

Financial reporting

In the United States, two franchise bills are pending in Congress; although observers do not expect them to pass in this session, they represent a perceived threat to the industry. Both bills concern a universal method by which franchisors would report their earnings to prospective franchisees. Such a rule may seem innocuous, but in the freewheeling world of franchises, the wide range of businesses — from nursing homes to fast food, auto accessories and executive recruitment — necessitates variable methods of reporting financial information.

Such legislation is typical of the kind of scrutiny that franchising is being subjected to throughout the United States.

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Herald Tribune

SPORTS

FRIDAY, MAY 29, 1998

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WORLD ROUNDUP

Roux Takes Lead

CYCLING Laurent Roux out-sprinted the other members of a breakaway group Thursday to win the 12th stage of the Giro d'Italia and take first place overall.

Roux, a Frenchman with the TVM team, covered the 202 kilometers (125 miles) from San Marino to Carpi in northern Italy in 4 hours, 37 minutes, 8 seconds.

Alex Zulle, the overnight leader, finished with the main pack, more than 2:00 behind. He slipped to third as Andrea Noe, who was part of the breakaway, took second, 19 seconds behind Roux. (AP)

The fifth stage of the Prudential of Britain, from Birmingham to Cardiff, was abandoned Thursday after a policeman directing traffic for the race was killed in a collision with a private car. (Reuters)

Avalanche's Rolling Stone

HOCKEY Marc Crawford has turned down a contract extension with the Colorado Avalanche, which he led to the Stanley Cup in 1996.

Crawford, 37, said he wants to pursue other opportunities. He has one year left on his contract. (AP)

Stations Plan NFL Rival

FOOTBALL NBC and Turner Sports, the two losers in the last auction of National Football League television rights, announced Wednesday that they will form their own league.

The league, which would be owned by the two networks, would likely have 10 to 12 teams spread around major U.S. cities, play its games Sundays and begin in the fall of 1999. (AP)

Real Fires Heynckes

SOCCER Real Madrid fired Jupp Heynckes as coach on Thursday. Lorenzo Sanz, the club chairman, said the decision had been taken before Heynckes led Real to the Champions Cup this month. The team finished fourth in the Spanish league.

"If we had not won the European Champions Cup, this would have been one of the worst seasons in recent years," Sanz said. (Reuters)

• Silvio Berlusconi, the president of AC Milan, was charged with fraud Thursday over the transfer of Gianluigi Lentini. Berlusconi faces trial on charges of making an under-the-table payment of 10 billion lira (\$5.5 million) for Lentini when the club bought him from Torino in 1992. (AFP)

Hooted by Fans, Pierce Makes an Early Exit

French No. 1 Loses to Serna of Spain; Kafelnikov and Kiefer Are Ousted

By Christopher Clarey
International Herald Tribune

PARIS — For a moment, France's most important tennis tournament felt as if it had been airlifted to Barcelona or further still, to Magu Serna's hometown in the Canary Islands.

Serna Spain's No. 3 woman player, was facing France's No. 1 woman player. But with the match entering its decisive phase late in the second set, the French in the stands on an overcast,

THE FRENCH OPEN

intermittently rainy Thursday were cheering more for Serna's crafty left-handed winners than they were attempting to encourage Mary Pierce.

"I don't think I'd like it if I was playing in Spain, and the crowd wasn't cheering for me," Serna said after she rallied from a 5-1 first-set deficit to upset Pierce, who was seeded eleventh, in the second round, 7-5, 6-2.

Perhaps the crowd behind 5-2 in the final set, the crowd was boozing and whistling, and when she walked off court after losing the match with a backhand error, the boos and whistles grew even more insistent. When the giddy, gifted 19-year-old Serna made her exit, she heard nothing but cheers.

"I get more support everywhere else in the world than here," Pierce said in her native English.

Pierce's mastery of the languages that supplanted French as the lingua franca of dealmakers and diplomats is no coincidence. Born in Montreal to a French mother and an American father, she was raised in the United States and chose to represent France largely because of a lack of support from tennis organizations in the United States, who were not enamored of the aggressive, controversial behavior of her father, Jim. He was later banned from accompanying her on the women's tour.

Though Mary speaks fluent French, she still makes basic errors on occasion and is clearly more expansive and at ease in the language she speaks at home in Florida.

But Pierce's lack of core support in France has less to do with her accent and more to do with her decision to spend little time in the country. There is also her mannered, tic-ridden on-court demeanor; most players stretch before and after matches. Pierce stretches during hers.

The weak support is also linked to her results. In 1994, nobody was boozing when she reached the French Open final

at 19, and after becoming the first French woman to win a Grand Slam title in 28 years by taking the Australian Open, her popularity soared. But in the last four years, she has not advanced past the fourth round at Roland Garros.

In 1996, when she lost in ugly fashion to the justifiably uncelebrated Barbara Rittner in the third round, the crowd on the center court chanted Rittner's name, and a clearly stunned Pierce conducted a testy post-match news conference.

"If I win, I'm the French Mary Pierce; if I lose I'm the French-American," Pierce said Thursday. "That's just how they're going to be. I can only worry about the things I have control over."

Perhaps the crowd on Thursday would have felt differently if it had known that Pierce was suffering from a sore back, which also bothered her at Hilton Head earlier this season.

"It hurt me the whole time," said Pierce, who also said after the match that she planned to undergo blood testing.

Perhaps her sore back explains why she made 35 unforced errors in the match and, more importantly, why she lost seven straight games after leading 5-1.

Not that the versatile Serna is a one-match wonder. She beat Anna Novotna earlier this season on clay, is deceptively quick, and possesses a fine backhand, an effective serve and a flexible forehand that she can hit relatively flat or with heavy topspin. But there is little doubt that Pierce let her opponent back in the match.

"She really seemed to get nervous out there," Serna said.

Playing on the Suzanne Lenglen court seems to have that effect on favorites. Though it was only opened in 1994, it is acquiring a reputation as a Paris version of Wimbledon's Court Two, long known as "the Graveyard."

This year, the top two men's seeds, Pete Sampras and Petr Korda, have lost on Suzanne Lenglen, and the conditions are clearly different than on the slightly quicker center court.

Because of the rain this week, all the courts are playing slower than last year. The consensus among the players is that the balls are slower, too, although tournament officials insist they have not changed.

In short, Roland Garros is a baseliners' paradise this year, which may help explain why a former champion, Thomas Muster, rolled past Nicolas Kiefer, a promising German, in straight sets on Thursday to reach the

third round. It does not explain Thomas Enqvist's 4-6, 7-6 (12-10), 7-6 (7-4), 6-1 victory over the No. 6 seed Yevgeni Kafelnikov. Enqvist, a Swede who has never played his best in Grand Slams events, had never won a match in the French Open until this year. Now, he has beaten the 1996 Open champion, who won his title during one of the

sogkest, slowest years in memory. Kafelnikov's loss means that six of the top nine men's seeds are out of the tournament. But with clay court stalwarts such as Marcelo Rios, Gustavo Kuerten, Albert Costa, Carlos Moya and Alex Corretja still alive and well in the draw, it's too early to label this year as one of surprises.

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THURSDAY RESULTS

SPORTS

Beware the Wrath of Jordan: Bulls RollBy Michael Wilbon
*Washington Post Service***CHICAGO** — Getting angry has usually worked well for the Bulls. It has always worked well for Michael Jordan.

The Bulls were clearly angry on Wednesday night.

Facing suggestions that they're past-the-prime whiners looking for the referees to give them a break, the Bulls answered with a 106-87 victory in Game 5 over the overwhelmed Indiana Pacers. Chicago's best performance of this series, maybe its best of the entire postseason, gave the Bulls a 3-2 lead in the Eastern Conference finals and a chance to finish off the Pacers in Indianapolis Friday night in Game 6, or back Friday in Chicago on Sunday should Game 7 be necessary.

Jordan, with rage on his face from the opening tip-off,

scored a game-high 29 points on 12-for-20 shooting. Scottie Pippen finished with 20 points, 8 rebounds and 7 assists in only 23 minutes, and Toni Kukoc had 19 points, 7 assists and 5 rebounds.

The Pacers, after consecutive victories in Indianapolis, trailed by 13 after one

quarter, 25 at halftime, and 31 at the end of three quarters as the Bulls kept up the pressure until the starters finally sat down in the final five minutes.

"Tonight was unexpected dominance," Jordan said. "We wanted to take it to them. When everybody's focused and playing our game, we can really play the game of basketball."

Asked if he had taken his

over the weekend, Jordan said: "I'm usually a guy who's pretty vocal on the plane, but I didn't have much to say. With me being quiet for the past couple of days, I guess that's like screaming and yelling at them."

It's Larry Bird, the Pacers' coach, who may have to be more vocal now, with his team facing elimination. "I'm disappointed in them," he said. "We've got another game Friday, but we've got to have a complete turnaround. I told them I wasn't satisfied with the effort we had tonight. Deep down, I thought they were going to come in here tonight and lay it all on the line. But they just didn't play, and for what reason I have no idea."

An anxious metropolis, not wanting to believe this could be Jordan's final game in Chicago, was nearly in a state of panic all day. That subsided early, however, because the

Bulls played with abandon, aggression and precision. Not even early foul trouble for Jordan and Dennis Rodman could stop Chicago's assault.

"Obviously Scottie going to the basket right away set the tempo for the game," said Phil Jackson, the Bulls' coach. "We were going to go anyway, regardless of how aggressive they were trying to stop the play. We weren't going to be denied going to the basket."

The Bulls didn't fall in love with jump shooting as they often do. On the first play of the game, Pippen was fouled and hit one free throw. After Indiana scored, Jordan backed Reggie Miller into the basket and hit a short flip shot.

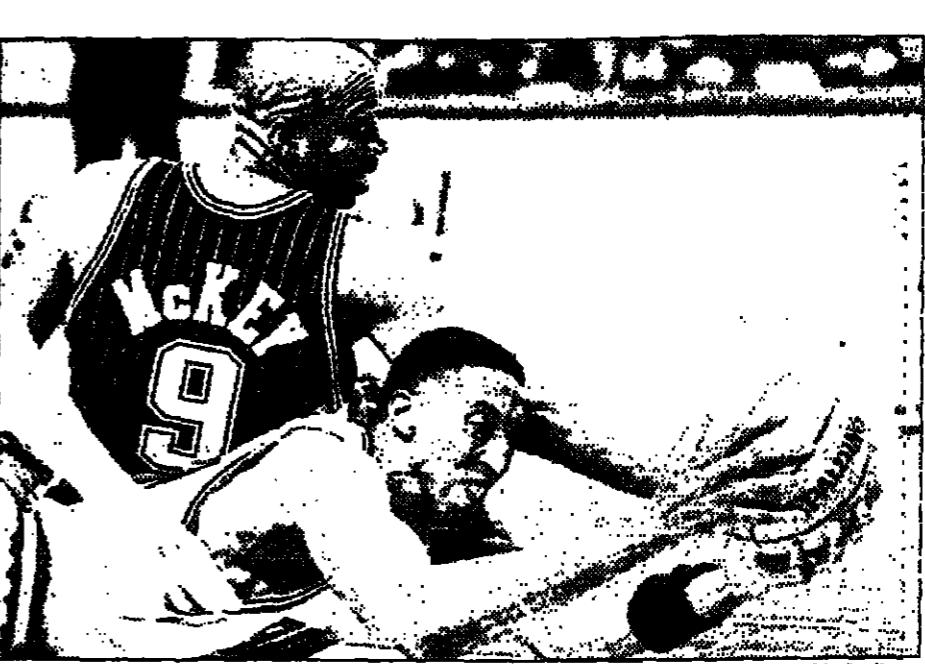
The aggression was so contagious that even Kukoc, who doesn't often like to mix it up underneath the basket, began pounding his way inside.

Methodically and relent-

lessly, Chicago built the lead to 21-10, then to 25-12, then to 31-16, then to 39-19. The Bulls never appeared to be in a hurry, just content to do the basketball equivalent of pounding away at a boxer's body.

Pippen, whose drives broke the defense, said Monday's loss "was a game that haunted us for the next 48 hours."

The Pacers, meanwhile, missed 18 straight shots over a period of 14 minutes, 13 seconds. Nobody in an Indiana uniform could make a basket. The Pacers had to get hot to wind up shooting 23.5 percent by halftime. By intermission, the Bulls had not only outscored Indiana, 57-32, but had outrebounded the Pacers by 33-15, handed out 14 assists to Indiana's five and blocked five shots to Indiana's two. Jordan and Pippen — just the two of them — outscored the Pacers, 34-32,



The Bulls' Scottie Pippen scrambling for the ball with the Pacers' Derrick McKey.

in those first two quarters.

The Pacers could have used some reserve energy from Jalen Rose, but the swingman was suspended for Wednesday's game for leaving the bench during a fracas

roughshod right through the third quarter, when it became apparent that the Pacers were not going to run their winning streak in this series to three games.

Piazza, New Kid On Mets' Block, Sparks a Victory*The Associated Press*
The New York Mets won early in the season because of their pitching, but Mike Piazza has helped change all that.

Piazza had four hits Wednesday night as the Mets, generating offense throughout the lineup, beat Florida, 8-2, for their sixth

BASEBALL ROUNDUP

straight victory. The Mets have 29 runs and 56 hits in four games since obtaining the All-Star catcher in a trade with the Marlins.

"The guys have been great," Piazza said. "They're making me feel really comfortable here. It's been great for my peace of mind."

Rey Ordonez hit a two-run double that capped the Mets' six-run fifth inning. Bernard Gilkey hit his first homer of the season for New York.

"I always felt we had a good offense," Gilkey said. "Now that we've got Mike, it's just a matter of clicking. When he walked in, it was perfect timing."

Braves 2, Expos 0 Greg Maddux became Atlanta's fourth seven-game winner, shutting out visiting Montreal for 8 1/3 innings.

Maddux, with a 1.84 earned run average, gave up six hits as the Braves won their fourth in a row. Ryan Klesko's sacrifice fly in the seventh broke a scoreless tie. Maddux also gave some timely advice to Eddie Perez in the eighth when Perez faced Mike Maddux, Greg's older brother. Greg told Perez to wait for Mike's strike. Perez did and hit it for a home run.

Dodgers 3, Astros 1 Darren Dreifort won again while pitching his former Olympic barnet, Charles Johnson, as Los Angeles won in Houston. Dreifort (3-4) is 3-0 since Johnson was traded to the Dodgers in a seven-player deal with Florida on May 15. They played together on the U.S. baseball team at the 1992 Olympics.

Cardinals 2, Rockies 1 St. Louis' streak of 17 games with a home run ended, but Todd Stottlemyre pitched the Cardinals past visiting Colorado.

Mark McGwire, who had homered in his previous four games, went 0-for-3 with a walk.

Brewers 3, Pirates 2 Mark Loretta drove



Jose Rosado after pitching his shutout.

home the winning run with one out in the bottom of the 10th inning at Milwaukee.

Reds 7, Giants 6 Bret Boone hit a two-out, two-run double in the eighth inning, and Cincinnati rallied past visiting San Francisco.

Phillies 10, Cubs 5 Rich Brogna homered, doubled and matched a career-high with five runs batted in as Philadelphia won at Wrigley Field in Chicago. Brogna had three hits.

Padres 6, Diamondbacks 4 Steve Finley drove in three runs with a triple and a double, and Tony Gwynn drove in two runs as San Diego won at Arizona.

In the American League:

White Sox 12, Yankees 9 In Chicago, Matt Karchner converted his 20th consecutive save opportunity as the White Sox beat the New York Yankees.

Sidelined earlier this month after a hernia operation, Karchner pitched a perfect ninth for his fifth save this year.

The White Sox committed three errors. Mike Caruso, Chicago's rookie shortstop, went 4-for-5 on his 21st birthday. But he made his 11th error in 38 games when he dropped Paul O'Neill's bases-loaded pop in shallow left.

Twins 6, Rangers 5 Todd Walker went 4-for-4 and hit a tie-breaking home run in the seventh inning as Minnesota swept a two-game series at Texas.

Royals 4, Angels 0 Jose Rosado pitched a five-hitter for a complete game and snapped a personal six-game losing streak. Dean Palmer drove in three runs as Kansas City won in Anaheim.

We'll get to stats later. For now, just take it on faith that, judged strictly

ST. LOUIS — As the Colorado Rockies lay on their backs, doing their stretching exercises by home plate, Mark McGwire stepped into the batting cage. When you are already contorted like a pretzel, with one leg crossed over the other, it's hard to turn your head and look backward. Yet all the Rockies players managed the trick, even if they took the risk of going on the disabled list with a slipped disk.

Several Rockies even threw coolness to the wind and actually pressed against the cage, dismissing any pretense of team allegiance. They were worshiping at the altar of power.

"Absolutely amazing," gushed Dante Bichette, who's hitting .347 himself. How much power? After 50 St. Louis games, McGwire has 25 homers. Need a calculator to figure out that pace?

These days, nobody wants to miss even one of McGwire's batting practice swings. "When we played in Chicago, a guy drove all the way up from Florida just to see McGwire take BP," Cardinals coach Rene Lachemann said.

On the facing of the upper deck in dead center field here — 545 feet (166 meters) from home plate — there's a sign. And on that sign, the Cards have placed a 6-foot-long Band-Aid as a landmark to one of McGwire's 14 homers this month.

How far would the ball have carried if Busch Stadium hadn't interrupted its flight path to Omaha? Mickey Mantle once hit a ball 565 feet in Griffith Stadium. Babe Ruth had a 602-footer over the roof in Tiger Stadium about which players still gape. Now, McGwire has his Band-Aid.

The 6-foot-5-inch (1.95-meter), 245-pound (112-kilogram) St. Louis Cardinals first baseman has forced even major leaguers to ask a question few imagined would be asked: Was Babe Ruth really a better home run hitter than this guy? In the last four years, the correct answer has become clear: No.

It's sad to think that failure makes you change things. That 201 season kicked me in the butt," said McGwire, sitting on a trunk in the tunnel under Busch Stadium, his 17½-inch forearms looking like rolled phone

McGwire Chasing and Catching Ruth, Not Maris

Vantage Point/THOMAS BOSWELL

books. "I'd gotten lazy on my lifting. I vowed I'd never stop lifting weights again — 12 months a year. And I haven't."

McGwire also began studying the mechanics of the swing and the habits of pitchers. "In '88 and '89, his swing was twice as long and he wasn't half as smart," said the Cards' hitting coach, Dave Parker. "Now, he's made a science of hitting. I just tell him what time the game starts."

Almost all hitters anticipate what pitches they'll get or divide the plate into zones, then look for a pitch in their favorite sector. You could call it guessing. If so, then McGwire has a doctorate in guessing. In 1993 and 1994, injuries, especially at the end of his swing, like a golfer's, let him play only 27 and 47 games. He sat for months at a time. And, as he watched, he thought. Gradually, he saw patterns in most pitchers.

McGWIRE ADDED a twist. Because his arms are so long, his balance so good, his swing so quick and his timing so sharp, he can look for all types of pitches in all parts of the plate. Not at the same time. Nobody can. But there's no pitch in any part of the plate that he can't hit out of the park.

"What's he thinking?" is the thought on every pitcher's mind. "When he hit three home runs in one game last week, one was on a fastball, one on a breaking ball and one on a change-up," Duncan said, grinning devilishly.

"He's an advance scout's nightmare," La Russa said. "High fastball, swing and a miss. Later in the same game, high fastball. There it goes. Pitch him low, strike him out. Later, low ball. There it goes." Crowd him once. Next time, "There it goes."

The public is still a step slow in understanding who and what the 34-year-old McGwire is. It's not really Maris and his 61 homers that he's chasing. It's Ruth that McGwire is after. And, in some sense, he's already caught him.

Yes, yes, Ruth was a much better hitter — .343 to .260 — and a great pitcher, too. Ruth stayed healthy while McGwire has missed nearly 400 games. But it's a hardhearted fact that, when healthy, McGwire hits more home runs than Ruth. In 13 years, McGwire's 412 home runs have come at a rate of one every 11.60 at-bats. That's the record. Only Ruth is even remotely close, at 11.76.

Since 1995, McGwire has 174 homers in 1,440 at-bats — one per 8.3 at-bats. Ruth's best season — and the only year he was under 9.0 — was 8.5 in 1920. McGwire's been homering faster than Ruth ever did for four straight years. This year, he has a homer every 5.4 at-bats. That can't continue. But he can go homerless in his next 15 games and still be on a pace for 62 homers.

Will McGwire hit 62 homers? That may be the wrong question. If he plays 150 games, what will keep him from hitting 65? In 50 games in the Cardinals' Busch Stadium since he was traded by Oakland last July, he has 30 homers. He loves this joint.

And Busch Stadium absolutely adores him. Maybe he won the fans' hearts the day he signed a \$30 million contract, then pledged \$3 million to help abused children.

Because he is universally described as modest, hard-working, team-oriented — he even loves to play defense — McGwire has almost universal support in his chase.

"Does that help?" La Russa said. "He tries not to let anybody down. Sometimes it helps to be against the world."

McGwire has no choice. The Cards' Ron Gant speaks for baseball when he says: "I'd love to see it — along with everybody else in the world. If he's a bad person, I'd still want him to do it. But it's a bonus that he's a person people really pull for. And that he knows it."

The McGwire drama has more than four months to run. An injury could snuff it in an instant. But, everywhere he goes, fans understand what Parker means when he says, "We're looking at the guy who's going to do it."

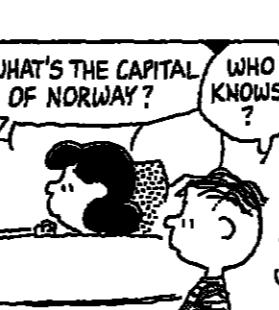
DENNIS THE MENACE



PEANUTS



WHAT'S NEW



CALVIN AND HOBBES



WIZARD OF ID



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

LONEY

YAMOF

TYMARR

SLAVAS

How strange every circled letter is to the surprise sentence, as unscrambled by the above editor.

Answer: What the *catbird* sang as the *happ* problem — HE BACKED IT

BEETLE BAILEY

THAT SCRABBLE WORD GAME

by Mort Walker and Willie Jaggers

Answer: *WHAT'S NEW*

Important to a wine tasting.

Answer: *WHAT'S NEW*

How strange every circled letter is to the surprise sentence, as unscrambled by the above editor.

Answer: *WHAT'S NEW*Answer: *WHAT'S NEW*Answer: *WHAT'S NEW*

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CARTWHEELS,

HANDSPRINGS,

SINGING AND

DANCING UP AND

DOWN THE HALLWAYS!

NON SEQUITUR

I'D RATHER NOT TALK ABOUT IT

HOO-HA, LEFTY!

I'D RATHER NOT TALK ABOUT IT

POSTCARD

The New Algonquin

By Julie V. Iovine
New York Times Service

NEW YORK — At the Algonquin Hotel, it's out with the old, in with the nouveau-old. When the plastic wrap is peeled back Monday, a small but significant renovation will have altered the soul of New York's most beloved — and proudly fuddy-duddy — literary canteen.

If it's not 1926 at the Algonquin, no one is supposed to know. The famous tabletop bells are back to summon waiters in gray and red waistcoats. Victorian planters hold potted palms. The house cat is in his paneled cubby. There's even a Round Table waiting for a group of wags and wits to hold court on its freshly hewn quarter-sawed oak top.

But at the Algonquin, as at other New York landmarks that have undergone face lifts, from Le Cirque to the New Amsterdam Theater and Grand Central Terminal, the nostalgic resuscitation may startle a clientele that sees even subtle shifts as seismic. The \$5.5-million renovation by the Camberley Hotel Co. of Atlanta, the second largest in the hotel's richly chronicled 96 years, is potentially the most wrenching.

At the Algonquin, the Round Table may be in, but the Rose Room in which it stood is out. The prim but congenial restaurant where eight decades of literary lights, from Ring Lardner to Jacqueline Kennedy Onassis, dined on indifferent food and one another's bons mots, has been lost to lobby expansion.

In a redrawing of history that might have made Harpo Marx speak up and Dorothy Parker bite her sharp tongue, Camberley has commis-

sioned a large oil painting of Algonquin wits — Robert Benchley, Heywood Broun, Alexander Woolcott, Edna Ferber — in the 1998 space. Hallways have been papered with New Yorker cartoons and door numbers replaced by plaques bearing quips of the Algonquines. And there's plenty of pith to buy as souvenirs from "The Portable Dorothy Parker" to coffee mugs.

"Everybody is waiting with bated breath," said Andrea Marcovici, the torch singer who recently celebrated her 10th anniversary of performing in the Algonquin's Oak Bar. "We're all kind of scared and anxious to see how it's going to look."

Camberley bought the 165-room hotel last year for about \$30 million. The company's British-born president, Ian Lloyd-Jones, considered a number of updates, but decided that playing up the hotel's past and its tradition of absurdly attentive service would be more profitable — what he calls a "spiritual renovation."

Alexandra Champalimaud was hired to redecorate, and her vision for the lobby was "a moody place clogged with furniture," a rendezvous for academics and authors who still make up the core clientele. The decor resembles an Italian monastery that has been turned into a five-star hotel: Wine-dark fabrics and heavily carved furniture make for a severe luxury, without allowing in a single ray of that instant mood killer, daylight.

The new owners hope the spirit will be the same. Wisely, they have decided against a jazz quartet or a harpist in the lobby. The only music will be that of good talk.

Merlin Holland: The Importance of Being Honest

By Mitchell Owens
New York Times Service

NEW YORK — Adolescence is a trying time. For Merlin Holland, the summer he turned 15 was particularly tempestuous. He was finally introduced to the 1895 scandal in which his paternal grandfather, the celebrated Victorian playwright and esthetic Oscar Wilde, was convicted in London of gross indecency — homosexuality — and sentenced to two years in prison at hard labor.

"My father and I walked around Chelsea early one morning, and he took me around Tite Street, the King's Road and the Royal Hospital, and began telling a bit about living there as a child," Holland said. When he returned home, his father, Vyvyan Holland, quietly slid a book into Merlin's hands and said, "I suppose it's time you read this."

It was "Son of Oscar Wilde," Vyvyan Holland's memoir about the father he had loved and lost. "It was a bit like sex education: He knew it was time to broach the subject, but how much to tell?" Merlin Holland, 52, said with a laugh.

"I went through the same thing with my own son," he added. "It's part of history, but it's family history, too, so you want to tell it properly, from your own perspective, not a scholar's." Which explains "The Wilde Album" (Henry Holt), Merlin Holland's attempt to understand "my grandfather and the things he did that brought my family to its knees."

A pocket-size, 192-page pictorial journey, it tries to recreate the family albums that were lost in an auction of the family's belongings in the 1890s. It follows Oscar Fingal O'Flahertie Wilde from his birth into a world-famous intellectual family in 1854 in Dublin to his death in a hotel in Paris in 1900.

A shambling, obese shell of a man, Wilde, at the end, was demonized by press and pulpit; stripped of his reputation; abandoned by Lord Alfred Douglas, the love of his life, and deprived of his two children, whose surname had been changed to Holland as a cloak of anonymity.

"My father was 8 when he last saw Oscar, 12 when his mother died and 14 when his father died," said Holland, adding: "We never reminisced about Grandpa. There simply wasn't any common memory." When as a teenager he asked questions, his elders were quick to dissemble. His mother cheerfully dismissed the affair with Lord Alfred — "a tempestuous, unreliable, dazzlingly beautiful boy," he said — as purely platonic.



Merlin Holland's "Wilde Album" is an attempt to understand his grandfather.

"Of course, I, very much relieved to have been told what must be the truth," he said, "relied this information to a friend at school, who told me precisely what he thought of my grandfather. It ended up in a punch-out."

It wasn't the only rude awakening of his teenage years. During the same summer he learned about his grandfather, he perused his father's papers to discover that his school fees were being secretly paid by the novelist Rebecca West, a family friend who came to the rescue when unpaid income taxes begged Vyvyan Holland into bankruptcy.

Getting on with their lives was not easy for the Hollands, which none of the recent plays and movies about Oscar Wilde address, including the new film "Wilde," starring Stephen Fry.

Constance Lloyd, a lawyer's daughter, married Wilde in 1884. She was hounded out of England after the sentencing, enrolled her sons in obscure schools in Monaco and Germany. She settled in Genoa, where she died

in 1898 at 39, still longing to make a home with her husband despite everything. "That would have been a disaster," said Holland. "He was gay, he had to do what he did to be true to himself, but my father always maintained the trial broke Constance's health."

The scandal also shortened the life of Wilde's eldest son, Cyril, who became a soldier "to prove himself as a man and ended up killed by a sniper in World War I, probably doing something foolhardy and heroic," said Holland, whose next book, "After Oscar," is to be a study of how the trial's aftermath affected Wilde's family, friends and literary reputation.

Wilde's long-ago infamy seems to haunt his family's steps even now. Recently, Holland's wife, Sarah, and their son, Lucian, 19, paid respects at Constance's grave in Genoa. Alas, the Oscar Wilde Society had smothered it with red roses and alerted the Italian press that the descendants were in town.

"There went that private moment," Hol-

land said with a shrug. Now, he is bracing himself for the centennial of his grandfather's demise. "Can you imagine what it's going to be like at Pere Lachaise in the year 2000?" he said of the Paris cemetery where Wilde's body is interred. "A circus."

Though his grandfather died long ago and little was ever said about him within the family, Holland said: "I eventually came to have a great deal of anger about Oscar, over his pigheadedness, his insensitivity, his decision to take on the establishment and not consider the consequences. I was angry, too, at British society making him the scapegoat for an awful lot of what was going on at the time, showing that it meant business."

When Gallimard, the French publisher, asked him to complete a biographical picture book to accompany a multivolume translation of Wilde's collected works, he jumped at the chance, as much out of a sense of duty as out of a sense of reclaiming his birthright. "The Wilde Album" is an expanded adaptation of the Gallimard edition, with more about Wilde the man than Wilde the symbol.

The truth of Wilde, he said, is what keeps confounding scholars, playwrights and movie makers. "The duality of Wilde is what I find so fascinating," said Holland, who said he had been asked to work as a consultant on the "Wilde" film but bowed out due to creative differences. "He was a married man who was also a homosexual, a Protestant who admired Roman Catholicism, an Irish nationalist who was hounded by the English aristocracy. He was a literary rebel, but half the movie was devoted to his homosexuality. Thirty percent would have been better and allowed for a more rounded portrait. The film turns him into a monochrome gay instead of a polychrome artist who happened to be gay as well."

Long out of print, the letters of Wilde are to return in print in 2000, edited by Holland, and some members of the British press have intimated that Holland will reclaim the family name that year, too, for himself and his son, Lucian.

"I do think about it," he said. "But if I did it, it would have to be not just for Oscar, but for his father and mother, too, for the whole family. It was an extraordinary family before he came along, so if I put the family name back on the map for the right reasons, then it's all right."

He added: "I am one of them. I may not have done what Oscar did, or his parents, but I'm still a Wilde."

PEOPLE

SOTHEBY'S New York will auction 14 letters written by Frederic Chopin to one of his closest friends and confidants in the final years of life, Count Wojciech Grzymala, a Polish émigré who lived as a dilettante in Paris. Chopin wrote to him of his love for George Sand, of the tuberculosis that was to take his life, of his travels and of his distaste for his life in London. "I have to go around in society circles every evening until late," he wrote. "I am not strong enough for such a life. If only it brought money." Sotheby's hopes the letters will fetch \$250,000.

The Comédie Française may trace its origins to 1680, but that doesn't mean it can't adapt to the age of the Internet. Beginning next month, the state theater of France will maintain an English-language Web site where browsers will be able to read the history of the company and to reserve tickets. The address will be: www.comedie-francaise.fr

More than 15,000 Protestants and Catholics rocked together past dark with Elton John at a concert celebrating Northern Ireland's peace agreement. John played free at Stormont, the Belfast negotiating venue where the historic multiparty accord was reached in April. Britain's secretary for Northern Ireland, Mo Mowlam, tripping a bit on the only formality of the occasion, introduced the star as "Mister — oh, sorry — Sir Elton John." Profits from sales of the \$41 tickets will go toward

improving facilities at Stormont, which will serve as the base for Northern Ireland's new cross-community government.

An Opening for McNally Play?

New York Times Service

NEW YORK — Several theaters have offered to stage a Terrence McNally play about 13 gay men who meet to enact the story of Jesus, the playwright said, after the Manhattan Theater Club canceled its production.

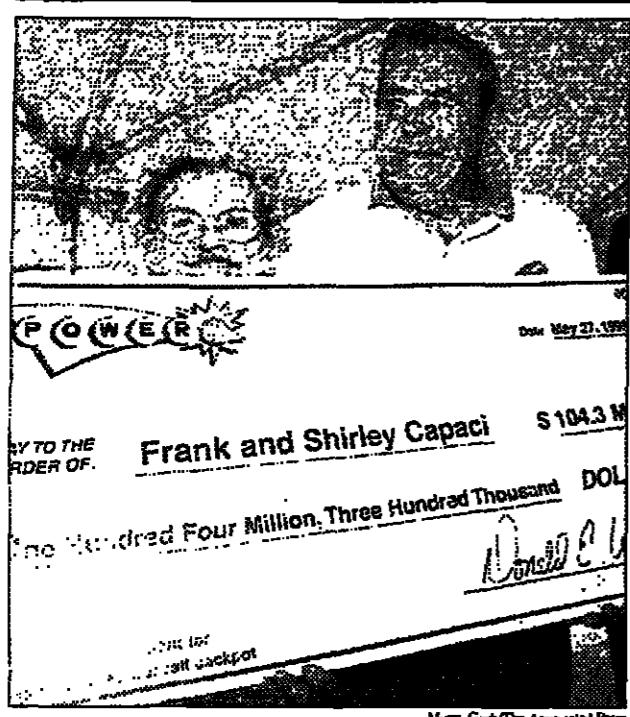
He said he had bitterly opposed the theater's decision, which cited threats to burn down the theater, kill its staff and "exterminate" McNally. He said he was considering the proposals, one of which came from the Williamstown Theater Festival in Massachusetts. It has offered to produce "Corpus Christi" in its 1999 season, he said.

Without second-guessing the Manhattan Theater Club's action, said Michael Ritchie, the producer of the Williamstown festival, "Terrence's work deserves to be seen." McNally declined to identify the other theaters he said had come forward.

shared with several girlfriends before her engagement to Prince Charles is up for sale. Prospective buyers can see the apartment in an early 20th century mansion in Knightsbridge next Monday and Wednesday. The asking price is \$738,000.

Cybill Shepherd wants it known that she's no lady. "That's a pejorative term to me," the former fashion model turned actress-producer says in the June issue of *Living Fit* magazine. "Being a lady represents less than I can be." Feel free, though, to call her sexy. Shepherd, 48, wants the world to know that women her age are "more beautiful, more sexy, more powerful than ever." She adds: "It's O.K. to get older; menopause is exciting and it's terrifying — I feel my emotions more intensely. But, as I tell my kids, being afraid takes courage. It's how you deal with the fear that counts."

Students' plans to play Fleetwood Mac's song "Landslide" at a baccalaureate program in a church in Huntsville, Alabama, fell apart after the minister said the group was satanic. Moments before the service was to begin, the class vocalist Emily McDowell was told she couldn't sing the wistful song about growing older and changing. "The music minister said the leader of Fleetwood Mac is a witch and a Satan worshipper," McDowell said. "I was in shock. So I pointed out the fact that I was a Christian and I wasn't singing the song to go against God."



PAY DAY — Winners of the largest jackpot in history picking up their check in Pell Lake, Wisconsin.



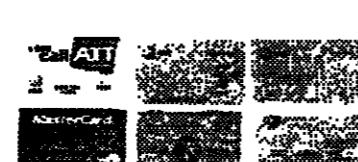
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